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How to get rid of old tyres
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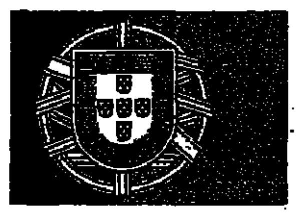

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World Business Newspaper WEDNESDAY JANUARY 25 1995 D8523A

Phone war success pushes AT&T to best-ever quarter

Telecommunications giant AT&T underscored its success in the recent US long-distance phone wars with a fourth quarter performance described as its "best ever quarter by almost any measure". Net earnings rose 73 per cent to $1.34bn, while quarterly sales growth of 11 per cent was the highest since the company was obliged to hive off its local telephone companies in 1984. Page 19

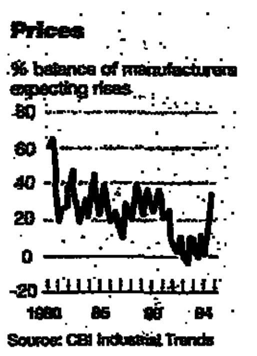
Japan's trade surplus at record high: Japan's overall merchandise trade surplus in 1994 was up by 0.8 per cent from the previous year to $121.2bn, a record high for the fourth year in succession. Page 4

Israeli troops arrest 50 Palestinians: Israeli troops arrested at least 50 Palestinians in the West Bank thought to have links with extremist Islamic groups responsible for Sunday's suicide bombing which left 19 Israelis dead. Blast turns tide against Rabin; Clinton orders terror-linked assets seized, Page 4

Euro Disney cuts losses: Euro Disney, operator of the Paris-based theme park, reported an 80 per cent fall in net losses for the first quarter of the year to FFr109m ($20.6m), reflecting a substantial reduction in financial charges since its restructuring last summer. Page 19

American Brands to sell UK companies: American Brands, diversified US consumer goods group, is to sell Prestige, a leading UK manufacturer of stainless steel cookware, and Forbuoys, a UK chain of 695 confectionery, tobacco and newspaper shops. Page 19

CBI sees no reason for interest rates rise



Source: CBI Industrial Trends

The Confederation of British Industry said there was no need for an immediate increase in UK interest rates in spite of a survey showing that manufacturers are more confident about raising their prices than at any time for five years. The CBI's latest industrial trends survey showed export orders rising at their strongest rate for a decade and factory output growing more quickly than at any time since 1988. Page 10

Energy tax threat alarms German industry: Germany's influential industrial lobbies launched a campaign to block attempts by the opposition Social Democrats and the country's powerful coal sector to impose an energy tax. Page 3

ECGD reports business swing to Gulf: The Middle East displaced east Asia as the UK Export Credit Guarantee Department's largest source of new insurance business in its most recent financial year, reflecting a surge in British defence equipment sales to Saudi Arabia, Kuwait and other Gulf states. Page 8

Rao suspends opponent: Indian prime minister P.V. Narasimha Rao acted to quell growing dissent in his government by suspending Arjun Singh, his main internal opponent, from the Congress, the highest policymaking body. Page 4

Mercedes plans to make vans in Russia: German car and commercial vehicle maker Mercedes-Benz is negotiating a joint venture to produce vans in Russia as part of the international expansion of its light commercial vehicle operations. Page 8; Export demand boosts Rover sales, Page 10

Saatchi takes on Saatchi: Maurice Saatchi, the deposed chairman of the Saatchi & Saatchi advertising group, is to get his first chance to compete with his old agency as he pitches for British Airways' £60m ($93.6m) worldwide advertising account. Page 19

BA in Caribbean airline deal: British Airways and several Caribbean governments have created an island-hopping commuter airline for the region, which is heavily dependent on tourism revenues. Page 8

Britain to review murder law: British Home secretary Michael Howard is to review the law on murder because of concerns about jailed paratrooper Lee Clegg, who was convicted after being among a group of soldiers in Belfast who opened fire on a joyrider's car, killing a passenger.

English breaches Brussels briefings: The European Commission is today due to scrap the obligatory use of French and allow English at the daily noon briefing for the news media. Page 2

STOCK MARKET INDICES

FT-SE 100:	2,969.0	(+14.8)
Yield	4.35	
FT-SE Eurotrack 100	1,299.33	(+7.71)
FT-SE-A All-Share	1,475.48	(+0.4%)
Nikkei	18,060.73	(+275.24)
New York lunchtime:		
Dow Jones Ind Ave	3,868.06	(+0.67)
S&P Composite	466.35	(+0.54)

US LUNCHTIME RATES

Federal Funds:	5¾%
3-mo Treas Bills: Yld	5.958%
Long Bond	95⅜
Yield	7.924%

LONDON MONEY

3-mo Interbank	6⅝%	(same)
Liffe long gilt future:	Mar 100¾	(Mar 101⅛)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.92	(16.68)

GOLD

New York Comex Feb	$381.8	(381.4)
London Mar	$381.70	(382.1)

STERLING

New York lunchtime:		
$	1.5965	
London:		
$	1.5963	(1.5945)
DM	2.4146	(2.4068)
FFr	8.358	(8.3337)
SFr	2.0291	(2.0181)
Y	159.106	(159.012)
£ index	80.2	(80.1)

DOLLAR

New York lunchtime:		
DM	1.513	
FFr	5.2370	
SFr	1.2715	
Y	99.725	
London:		
DM	1.5127	(1.5095)
FFr	5.236	(5.2265)
SFr	1.2712	(1.2657)
Y	99.675	(99.725)
$ index	62.5	(same)
Tokyo close Y 99.75		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 30	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00		

Spate of air and shipping disasters generates record drain on profits

Claims hit insurance markets

By Ralph Atkins, Insurance Correspondent, in London

Record aviation insurance claims and a series of costly shipping disasters hit world insurance markets last year, putting pressure on the industry's profits and casting a cloud over its prospects for 1995.

Airline losses reached at least $2.2bn in 1994 – significantly higher than premiums paid to insurance companies – according a report published yesterday by the Institute of London Underwriters.

The organisation includes leading composite insurers and is a rival market to Lloyd's of London. The London market often acts as a benchmark in setting premium rates for the world insurance industry.

Lives lost at sea more than doubled last year, largely because of September's Estonia ferry disaster off the coast of Sweden, while total tonnage lost is expected to have been the highest since 1991.

The advanced age of many of the ships lost, however, meant the cost borne by insurers was similar to 1993.

Adding to the gloomy picture painted by the ILU report, Mr Len Campbell, its chairman, warned against "foolish competition" among aviation and marine underwriters in London and elsewhere which would undermine efforts in the past two years to increase premiums and restore profitability. "Those who send marine underwriters into the field with instructions to meet income or market share targets would do us all a favour by getting out of the business," he said.

But the ILU indicated that after rising rapidly in recent years, premium rates are levelling and, in some cases, falling, adding to fears that healthy profits earned in recent years will not be sustained.

This year started badly, with substantial claims expected on marine policies for cargo damaged in the Kobe earthquake.

In aviation, the number of airliners lost was little changed but the ILU warned that "the severity in terms of their markedly higher hull values, the number of passenger fatalities occurring and the high cost of liabilities, will more than offset all the improvements in rates and terms which underwriters have achieved in the past three years".

Topping the list of costly accidents was the $131.5m insurance claim for a new Air France Airbus A340 destroyed by fire last January. Last year was also bad for satellite insurance, with losses of $770m, again in excess of premiums.

Figures compiled by ILU from its own members show pressure on claims and premium rates is already eroding profits, though claims can take years to be paid.

Early forecasts suggest 1994's marine insurance claims will amount to about 95 per cent of premiums, compared with 85 per cent in 1993. Final profits would depend on expenses and investment income earned on premiums.

However, the picture are significantly better than in the early 1990s, when claims exceeded premium income by 50 per cent.

Though the ILU membership has shrunk over the past year, it warned that extra premium-writing capacity invested in the market recently could pose an additional threat. "The market can ill-afford any relaxation of underwriting standards," the organisation said.

ILU members account for about half the marine and aviation business placed in London.

Industry leaders attack Swedish policies

By Hugh Carnegy and Christopher Brown-Humes in Stockholm

A group of Sweden's leading industrialists appointed to advise the Social Democratic government, yesterday launched a scathing attack on the administration's economic policy, saying it posed "great risks" for the nation's future.

In a letter to Mr Ingvar Carlsson, the prime minister, eight senior executives, including the chiefs of Volvo, Ericsson and Electrolux, say the government is relying too heavily on tax increases to tackle a crisis in the public finances.

It also says the government is doing too little to promote the private sector growth needed to reduce the unemployment rate, which stands at 13 per cent.

"The government risks letting this golden opportunity slide out of its hands," the letter says. "Instead, we see an economic policy being developed which involves great risks for Sweden's future."

The letter is a damaging blow to Mr Carlsson. It comes as the government is struggling to convince financial markets that it is taking sufficient measures to curb fast-rising public debts, trim the bloated welfare state and set the economy on a path of sustainable growth.

It was doubly embarrassing as all eight signatories are members of an 11-strong panel appointed by Mr Carlsson after last September's general election to advise him on industrial policy.

Mr Carlsson responded by saying he was not surprised by differences with the panel. "I had not expected any cheerleaders from among this group as there are ideological differences between us," he said.

The Social Democrats have announced tax increases totalling SKr40bn ($5.4bn) and spending cuts of more than SKr50bn. They say the moves will, over the next three years, control a budget deficit this year of nearly SKr200bn, or 13 per cent of gross national product. The government has also proposed job creation measures at a cost of SKr9.5bn.

The industrialists said: "Too large a part of the budget strengthening measures are made up of increasing an already exceptionally high tax burden, and too small a part is made up of budget cuts."

"In our view the proposed measures will not be sufficient, either in scope or direction, to achieve the necessary correction in state finances or the growth for which the government is striving."

Mr Göran Persson, the finance

Continued on Page 18

Swedish bank guarantee may end, Page 3

A Red Cross worker ferries residents through flooded streets in Cochem, near Koblenz, after the Mosel river burst its banks.

Rivers across Germany have overflowed in the past two days because of heavy rain and snow melt, and more rain is expected.

Flood waters shut down commercial boat traffic on the Rhine between Koblenz and Düsseldorf. A hospital and several homes in Melsungen, in central Germany, were evacuated after the Fulda river flooded parts of the city.

Picture, Reuter

BellSouth joins Thyssen in bid for German telecoms

By Michael Lindemann in Düsseldorf

Thyssen, the German steel-based conglomerate, is joining forces with BellSouth, the largest US regional telecoms operator, to bid for a licence to operate telephone services in Germany after monopoly ends in early 1998.

Thyssen's announcement comes a month after it said it would spend up to DM4bn ($2.49bn) on telecommunications before the end of the decade. It is the second alliance between a leading German company and an international telecoms operator which hopes to challenge the monopoly of Deutsche Telekom, the state-owned carrier.

Two weeks ago Viag, the Bavarian energy-based conglomerate, said it was teaming up with British Telecom, Europe's third-largest telecoms operator, in a venture which will have significant political backing from the Bavarian state government.

RWE and Veba, the owners of Germany's two biggest utilities, are also seeking international partners to expand their telecoms activities.

All four German companies are expected to apply for one or more licences which will enable them to offer telecoms services across Germany after January 1 1998 – the deadline by which voice and network monopolies will cease to exist across most of Europe.

Mr Dieter Vogel, chief executive of Thyssen Telecom, the division created last month, said BellSouth was a natural partner because the two companies already worked together in E-Plus, Germany's third mobile phone network, and at Gesellschaft für Datenfunk, the company which last year won the second licence for data transmission in Germany.

Thyssen will hold a 60 per cent share in the new company, in line with expectations that German companies will dominate ventures bidding for a German licence. Two other companies, one German and one foreign, are likely to be offered stakes in the venture "at the appropriate time", Mr Vogel said. Thyssen has spent more than DM1bn on its mobile phone and satellite activities, and forecasts gross annual profits of DM750m from telecoms by 2000.

BellSouth has a stake in Optus, the company building a second telecoms network in Australia, and in similar ventures in the Netherlands and Chile. However, Mr Vogel said the new company would concentrate on developing new telecoms services rather than building up its own network. Services would be targeted at corporate clients but extended to residential customers if it proved profitable.

Mr Vogel said he was confident the alliance would win one of the national licences before 1998, despite indications that the Bavarian state government is trying hard to ensure a Bavarian company wins at least one.

Thyssen and BellSouth results, Page 22

Matsushita set to face Sony in battle over video-CDs

By Louise Kehoe in Beverly Hills

Matsushita, the world's leading consumer electronics group, celebrated in Hollywood style its decision yesterday to join Toshiba, Time Warner and a cast of film studios in producing the next generation of compact discs for home video and audio use.

Missing from the party were Sony of Japan and Philips of the Netherlands which have a rival format for the technology, known as digital video discs or video-CDs, but have been unable to win over other companies. Sony and Philips now face a potentially costly video-CD war if they pursue the mass production of their format.

Both projects had been courting Matsushita, expected to be a leader in making equipment for the new technology. But the Japanese company yesterday said that it preferred the video-CD standard launched by Toshiba, Time Warner, Thomson Consumer Electronics, Hitachi and Pioneer.

For Sony and Philips, yesterday's alliance has uncomfortable echoes of their experience with video cassette recorders in the 1980s. They developed Betamax, a standard that was overtaken by the Matsushita-backed VHS.

"Matsushita believes this new format has the potential to become the accepted worldwide standard," said Mr Richard Kraft, president of Matsushita Electric Corporation of America. "One worldwide standard will greatly benefit consumers."

Hollywood studios have played a central role in defining the specifications for this technology and their endorsement is critical to commercial success. Twentieth Century Fox and Walt Disney studios were widely expected to support the Toshiba-Time Warner format.

The digital disc format developed by Sony and Philips is incompatible with the Toshiba-Time Warner technology and appears to put them on the losing end of the video-CD standards

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Sony and Philips on wrong side of divide, Page 8

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English muscles in to Brussels briefing

By Lionel Barber in Brussels

A minor upheaval takes place in Brussels today when the European Commission is due to scrap the obligatory use of French and allow English at the daily noon briefing for the news media.

The decision ends a practice going back to the first days of the Commission, in the early 1960s. It will delight non-French-speaking journalists whose efforts to penetrate the Brussels bureaucracy ("Je veux poser une question sur les bent bananes") have often provoked mirth and sympathy among their francophone colleagues.

But the end of the French monopoly has wider political implications because it suggests an erosion of France's linguistic and cultural dominance in Brussels, partly as a result of the entry of English-speaking Scandinavians, and German-speaking Austrians into the European Union this year.

The change coincides, pointedly, with the departure this week of Mr Jacques Delors as Commission president and the French government's campaign to promote French in Europe.

Mr Delors' successor is Mr Jacques Santer, the former Luxembourg prime minister who is equally comfortable in French, German and English. He holds his first meeting of the new 20-member Commission today which will include the three new commissioners from Austria, Finland and Sweden.

Tension over language in the Commission's press room has been rising, with non-French-speaking journalists frustrated over the obligatory use of French and the lack of translation services which are provided routinely in the European parliament, as well as at sessions between ministers and ambassadors at EU level.

The case for multilingualism has strengthened as the number of accredited journalists in Brussels has risen to more than 800.

Mr Delors's spokesman said more than two years ago that he intended to abolish the French-only rule in the midday briefing, once it became clear that the EU intended to admit the Austrians and Scandinavians as members. However, he decided against changing the rules because he feared it could damage Mr Delors' political reputation in his native France.

At that time, Mr Delors was weighing whether to run for the French presidency to succeed President François Mitterrand. Last month, he announced he was not running.

Mr Santer has chosen as his chief spokesman Mr Klaus van der Pas, a German national who went to school in Amsterdam and speaks German, Dutch, French and English.

In an effort to steer a path through the linguistic minefield, Mr van der Pas will allow questions today in all nine official languages of the Union: French, English, German, Spanish, Italian, Dutch, Danish, Greek, and Portuguese which will be translated into French or English by interpreters in surrounding booths.

Swedes and Finns will also have interpreters on hand and can put questions in their native language, a Commission official said.

The trickiest question, perhaps, is whether Mr van der Pas will open his briefing in French or English. On that point, he has been diplomatically silent.

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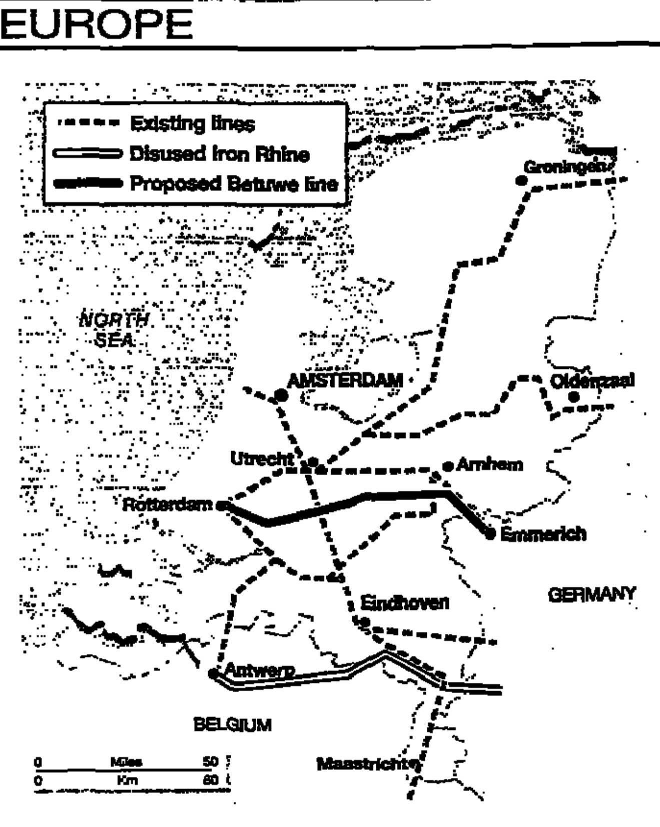
Controversial Rotterdam port freight link with Germany to go ahead, writes Ronald van de Krol

Rail will strengthen Dutch 'gateway' role



After years of controversy, the Netherlands is poised to approve the construction of an all-cargo rail link to Germany designed to tighten the port of Rotterdam's grip on the flow of freight into the European continent.

The go-ahead for the project seems all but assured now that a committee of "wise men and women" has ruled that the rail line is the best way to end road congestion in the Netherlands, promote a healthier environment and boost the domestic economy.

The railway, known as the "Betuwe Line", will run for 120km from the port of Rotterdam to the German border town of Emmerich and cost some Fl 7.4bn (£2.76bn) to build. This makes it not only the Netherlands' single biggest public works project this decade, but also the focus of fierce "not in my backyard" protests from local residents.

The rail link takes it name from the fruit-growing Betuwe region through which it will pass. For the Dutch, the name conjures up visions of heavy locomotives cutting through fields of flowering cherry and apple trees. The line's supporters have therefore tried, without success, to get it called the "A15 Line" because the route mainly follows the line of the A15 motorway.

Mr Loek Hermans, chairman of the advisory committee, warned this week against what he called "not in my generation" opposition to infrastructural innovation. "We must dare to invest in the cargo-flow handling systems of the future," he said.

The committee considered and then ruled out a range of inventive alternatives proposed by opponents to stave off construction. It said existing tracks could not be upgraded to handle the cargo, nor could the new line be built entirely underground because of the cost. A third option – to revive and then use the "Iron Rhine" railway from the Belgium port of Antwerp to Germany – was also rejected.

Rotterdam, which is not only the world's largest port but also the main conduit for goods moving in and out of Germany, has long argued that it needs a dedicated cargo link to its biggest market if it is to succeed in becoming Europe's "mainport". Only a port with guaranteed access to the European hinterland can attract and keep the world's shipping lines as its customers, the argument goes.

The same "mainport" argument is being used by Amsterdam's Schiphol Airport in its campaign to win government approval for a fifth runway. A positive decision on Schiphol is expected in mid-February, underlining the Dutch government's commitment to strengthening the country's role as a gateway into Europe despite protests that the Netherlands is over-burdened by traffic of all kinds.

The cabinet now seems likely to approve the German rail link in mid-March. The new freight railway, when completed between 2003 and 2005, will take cargo containers and bulk commodities from the quays of Rotterdam to Germany's industrial Ruhr region, bypassing the need to put cargo on lorries – and on to Dutch roads.

The rail link will mark a departure in Dutch transport policy, where the rail infrastructure has long been neglected in favour of roads and waterways. Unlike neighbouring Belgium, where 65m tonnes of goods are transported by rail each year, the Netherlands moves just 17m of freight by rail, of which 12m is destined for Germany.

By 2015, the Betuwe link should carry some 30m tonnes of goods eastward by rail, with further increases possible after that. The ultimate goal is for Rotterdam to emulate the German port of Hamburg, where one-third of incoming and outgoing freight is moved by rail.

However, the advisory committee also said other measures, ranging from levies to outright restrictions, were needed to move goods off the road and on to rail. It admitted that this would probably depend on concerted co-operation at the European level, a requirement which Betuwe line opponents have already seized on as proof that the committee's work is flawed, and that the rail link should continue to be resisted at all costs.

Alitalia in dogfight with its crews

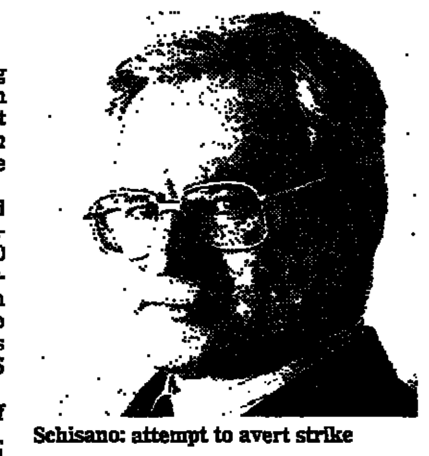
By Andrew Hill in Milan

Mr Roberto Schisano, blunt-talking chief executive of Alitalia, the Italian state airline, will try tomorrow to avert further strike action by pilots and cabin staff which is threatening to delay the restructuring of the ailing carrier.

Relations between management and staff have been strained by the company's decision to lease Boeing 767-300 long-haul jets from the Australian airline Ansett, complete with Australian pilots and cabin staff in an attempt to remain competitive on important routes between the Italian capital and the US and Canada.

Mr Schisano welcomed the first of two 767s to Rome airport last Saturday, amid union protests. The second will arrive tomorrow, when unions expect to meet him for more talks.

Pilots from the Anpac union staged a four-hour strike a week ago, and announced plans at the end of last week for a further 72 hours of action. The dates for such action have yet to be announced, but it seems certain to include at least one 24-hour strike. Cabin staff also plan a four-hour strike next Wednesday and a 24-hour strike on February 9.


Schisano: attempt to avert strike

The pilots claim that negotiations on a new contract were going reasonably well until shortly before Christmas when Mr Schisano suddenly toughened his line, and revealed plans to introduce Ansett aircraft and crews. "Schisano's strategy has created a situation in which we can only be tough; we don't have an alternative," says Mr Mario Tiezzi, Anpac's spokesman.

Agreement with the pilots should be the final step to overall consensus on the restructuring plans, which have already involved cutting 1,600 people from the 29,000 payroll through early retirement, voluntary redundancy and other "soft" measures. The company's overall objective is to reduce operational costs by 12 per cent and personnel costs by 20 per cent between 1994 and 1997.

Preliminary indications suggest it has already managed to improve on the 1993 loss of nearly L350bn ($220m), helped by an improvement in air traffic last year. The airline claims that last week's industrial action by pilots had a limited impact – 14 international and 34 national flights were cancelled, and passengers rerouted or transferred to other airlines – but future strikes could overlap with parallel action by Italian air traffic controllers and airport employees.

Today, traffic controllers at Ciampino, Rome's military airport, will strike for four hours. That action is not expected to disrupt civil air traffic much, but a four-hour strike by controllers on February 3, and a 12-hour strike on February 15, as part of negotiations for a new national contract, could be more damaging.

Unions have also hinted at the possibility of stoppages by airport staff in the next few weeks, in protest at government plans for privatisation.

Confidence debate foreshadows shift in relationships between coalition parties

Dini vote divides Berlusconi's allies

By Robert Graham in Rome

The confidence debate on Italy's new government has opened up divisions within the outgoing rightwing coalition headed by Mr Silvio Berlusconi.

These divisions in turn underline a likely shift in alliances within the parties once the all-technocrat administration of Mr Lamberto Dini, the former director-general of the Bank of Italy, obtains its vote of confidence and is able to begin the complex task of government.

The confidence vote in the chamber of deputies is due today and is expected to be won. Mr Dini has been promised the support of the centre parties, of the entire left, excluding Reconstituted Communism (the hard core of the old Italian Communist party), and the Northern League of Mr Umberto Bossi.

The new prime minister's former allies in the rightwing coalition yesterday still had made no formal commitment. But they made it clear their vote would either be abstention or a cautious endorsement, realising that they could not be seen voting against the man who was a prestigious treasury minister in the previous government brought in at Mr Berlusconi's request.

Before the debate began on Monday, Mr Berlusconi talked toughly about voting against Mr Dini to force an early general election by June. However, he has been compelled to retreat in the face of divisions within Forza Italia. As many as half Forza Italia's deputies put their names to an internal motion to support Mr Dini against Mr Berlusconi's own counsels.

These were the moderates, who have been alarmed by Mr Berlusconi's move to the right and his close alliance with the neo-fascist MSI/National Alliance. They see the debate as an occasion to pull the movement back towards the centre, paving the way for a future tie-up with the Popular Party (PPI), comprising the former Christian Democrats.

Divisions have also emerged in the MSI/National Alliance. A vote taken at a meeting late on Monday showed that 64 of the 104 deputies wanted to abstain; while 22 said they would vote for Mr Dini and 18 against. Mr Gianfranco Fini, the MSI leader, had previously argued that all should vote against the new government to force early elections.

The differences in the main coalition partners have also forced the small Christian Democratic Centre to swing behind the idea of abstention instead of voting against. Mr Marco Panella's group of Radical reformers broke ranks with the coalition from the outset by declaring any vote against Mr Dini risked back-firing, especially when his policy programme coincided with theirs.

If there is no last minute change before today's vote, these divisions will have helped undermine Mr Berlusconi's authority. Not surprisingly, he has looked grim faced and angry throughout the debate.

Cavaco Silva reads writing on the wall

The Portuguese PM's party is facing defeat at the next general election, writes Peter Wise in Lisbon

An era in which Portugal found new confidence in its future but gradually grew disenchanted with the slow pace of modernisation will end this year when Mr Aníbal Cavaco Silva withdraws from government after a decade as prime minister.

His decision not to stand for re-election next October leaves a void that will not be easily filled, either by his centre-right Social Democrats (PSD), who are left without a clear successor, or by the opposition Socialists, who lack political assurance.

Portugal will inevitably take several months to rediscover a sense of direction and a new leader pointing the way will find it difficult to inspire the sort of optimism that swept Mr Cavaco Silva to two overwhelming election victories in 1987 and 1991.

A hard-headed economist who studied at Britain's York University, Mr Cavaco Silva is the latest of several leaders who have emerged providentially at turning-points in Portugal's history and dominated an era of change before the tide of events left them behind.

He became prime minister three months before Portugal joined the then European Community in 1986, marking the end of the political and economic turmoil that followed the left-wing revolution of 1974. Economic trends were turning in the country's favour and Community funds ushered in an era of modernisation and prosperity.

His main legacy to Portugal is a considerably more sound economy than it had a decade ago. Annual average inflation has fallen to almost 5 per cent from more than 19 per cent when he came into office. Unemployment has been rising recently but is low by European standards at 7.1 per cent.

Gross domestic product per capita has risen from 51.4 per cent of the EC average in 1985 to above 64 per cent as Portugal left Greece behind as western Europe's poorest country. High spenders breathed brash new life in Portuguese society during the boom years but the novos ricos fell into disrepute with the onset of recession in mid-1992.

An estimated Es2,700bn ($17.1bn) in European Union funds has been channelled into Portugal over the past nine years, financing infrastructures such as 1,300km of new roads. Critics say these will be Mr Cavaco Silva's only lasting accomplishment.

Adding to a chorus of opposition criticism, the private television channels, independent newspapers and radio stations to which Mr Cavaco Silva opened the door have focused on exposing alleged corruption and inefficiency within the government and the PSD.

But he will also be remembered for tackling long-delayed structural reforms, such as the tax system and the armed forces, and for launching an ambitious privatisation programme. His efforts to modernise education, health and the judiciary have proved less successful.

The PM's main legacy is a far more sound economy than Portugal had a decade ago

Mr Cavaco Silva's more immediate legacy is political uncertainty. "It is flattering but exaggerated to say that political stability and economic confidence depend on me," he said on Monday. But the leadership struggle within his party and a hesitancy to invest because of the doubtful outcome of the election indicate that he may have to accept the compliment.

Opposition parties are pressing President Mário Soares, a Socialist, to bring forward the election from October to May or June. They argue that the political uncertainty should be dispelled as quickly as possible.

An early election would certainly benefit the Socialists, giving little time for the PSD to establish a new leadership or for a forecast economic recovery to take hold. It would also undermine some important privatisation operations, such as a planned international offer of part of Portugal Telecom.

Investors appear apprehensive but calm. "Mr Cavaco Silva's decision to quit has created a political vacuum and markets abhor the uncertainty caused by vacuums," said Mr James Harrison, a senior analysts with Lisbon brokers Midas. "But Portugal's economic fundamentals are sound and confidence should return as soon as the dust settles."

The main share index of the Lisbon stock exchange fell 2.7 points yesterday to 866.39. However, brokers said the sharp drop was as much attributable to recent falls in international markets as to the prime minister's decision. Dealers said the central bank bought escudos to prevent the currency sliding below Es103.5 to the D-Mark. The escudo was trading at 103.4 at the close yesterday, virtually unchanged from Monday's close.

Mr Cavaco Silva's withdrawal at a time when the PSD has fallen into discredit and is unlikely to win a third overall majority reflects a capacity for confronting difficult decisions that is among his most popular traits. He is stepping down from party politics undefeated and with his reputation largely intact.

He aims to make a clean break from government and party. He consulted no one outside his family about his decision and vows not to utter a word that could influence the choice of his successor as PSD leader and candidate for prime minister at next month's party congress.

Bowing out with dignity now, places Mr Cavaco Silva in an advantageous position to become a presidential candidate when a successor to President Soares is elected early next year. He will keep silent about the presidency for several months but he will come under strong pressure from the PSD to run.

"Many voters would like to see a strong figure such as Mr Cavaco Silva as president, especially as the general election may produce an unstable minority or coalition government," said a Lisbon banker. However, recent polls suggest Mr Jorge Sampaio, the Socialist mayor of Lisbon, would defeat Mr Cavaco Silva in a presidential race.

EUROPEAN NEWS DIGEST

Killing splits Eta's support

A public crack emerged yesterday in the hitherto blanket support among politically radical Basques for the Eta separatist terrorist group. Thousands demonstrated in the Basque capital, San Sebastian, against Eta's alleged murder of Mr Gregorio Ordoñez, local leader of the conservative opposition Partido Popular (PP). Ms Begoña Garmendia, spokeswoman for Eta's political wing, Herri Batasuna, broke ranks with her party by roundly condemning the shooting on Monday of Mr Ordoñez. Her stand contrasted with Herri Batasuna's traditional refusal to condemn Eta actions and was hailed by moderate parties as a possible breakthrough in their policy of isolating Eta violence.

Mr Ordoñez, 37, whose fearless criticism of Eta had begun to make him a national celebrity, was the front-runner to become mayor of San Sebastian in elections next May. He was shot in the back of the head in a busy city centre restaurant and his death robs the PP of a charismatic politician who had succeeded in rallying increasing support for the party in the Basque country. In the San Sebastian area, Herri Batasuna, campaigning on a pro-Eta platform of self-determination for the Basque country, commands just under 20 per cent of the vote in local elections. *Tom Burns, Madrid*

Balladur gathers support

The realignment of France's centre-right parties around the Gaullist prime minister, Mr Edouard Balladur, gathered pace yesterday with the news that 80 per cent of Republican deputies and senators back his bid for the presidency. Mr José Rossi, industry minister and secretary-general of the Republican party, said yesterday that 120 of the party's 150 deputies and senators supported Mr Balladur. He predicted that the 2,500 delegates at this Saturday's special congress in Lyons would endorse Mr Balladur's presidential candidacy by the same margin. The Republicans account for half the parliamentary strength of the UDF, the federation of non-Gaullist centre-right parties created by ex-President Valéry Giscard d'Estaing in 1978. Two other UDF components, the CDS centrists and the so-called "direct members", last weekend declared for Mr Balladur. In contrast, support for Mr Jaques Chirac, his rightwing rival, lies mainly in the Gaullist RPR, which is in coalition with the UDF federation in government. The UDF would be "signing its own death warrant" if it failed to field its own candidate, UDF leaders have warned. *David Buchan, Paris.*

Horn calls off Romanian talks

Hungary's prime minister, Mr Gyula Horn, yesterday cancelled high-level talks with Romanian officials called to discuss the ethnic Hungarian minority in Romania and a much delayed friendship treaty between the two neighbouring states. Government officials blamed the last-minute cancellation of meetings between Mr Horn and President Arpad Goncz with a delegation led by Mr Viorel Hrebenciuc, secretary general of the Romanian government and head of its council for national minorities, on increased attacks in Romania on the political party representing the Hungarian minority.

Hungary has been angered by recent Romanian ministerial statements that there is a case for banning the ethnic Hungarian party. The party has recently stepped up demands for local autonomy and self-rule in areas where the 1.6m ethnic Hungarians are in the majority. Romanian nationalists who are part of the governing coalition say this is unconstitutional. The ethnic Hungarian demands have also been criticised by the party's allies in the democratic opposition. In Budapest, the moves against the ethnic Hungarian party in Romania have been widely condemned. A rare joint statement issued by all six parties represented in parliament expressed their "shock and concern" at the attacks. *Virginia Marsh, Budapest*

Tighter TV quota rules urged

The European Union's new commissioner for audiovisual policy, Mr Marcelino Oreja, is to push forward controversial plans to tighten up broadcast quotas for European television programmes. EU officials said yesterday that Mr Oreja, a Spaniard, would press his Commission colleagues to approve the text prepared by his predecessor, Portugal's Mr João de Deus Pinheiro. The 1989 "Television without frontiers" directive sets minimum standards for cross-border broadcasting and requires a majority of programmes to be European-made "where practicable". Mr Pinheiro accepted the argument of European film industry groups that the words "where practicable" left legal loopholes, and proposed their removal, thus making the quotas mandatory. However, under the text, broadcasters would be allowed to invest a percentage of their turnover on European programmes rather than setting aside a majority of air time.

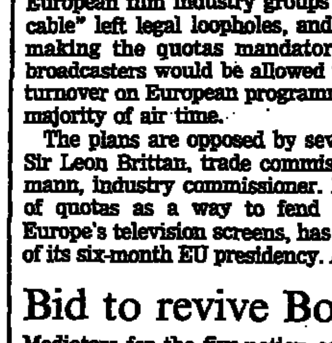
The plans are opposed by several commissioners, including Sir Leon Brittan, trade commissioner, and Mr Martin Bangemann, industry commissioner. But France, a strong advocate of quotas as a way to fend off Hollywood domination of Europe's television screens, has made the plan a central plank of its six-month EU presidency. *Reuter, Brussels*

Bid to revive Bosnia peace plan

Mediators for the five-nation contact group shuttled between the warring parties in Bosnia yesterday in an attempt to revive a six-month-old peace plan. Amid continued speculation that the contact group proposals are being modified in deference to Serb demands, the mediators seemed keen to emphasise that the plan is the same. "We made it very clear ... that the contact group sticks to the contact group plan," US envoy Charles Thomas said. Last month, Mr Radovan Karadzic, the Bosnian Serb leader, agreed with the US mediator Mr Jimmy Carter that the plan should form "the basis for negotiation". This fuelled fears in Sarajevo that the international community was willing to making changes. The Bosnian vice-president, Mr Ejup Ganic, said his side was still waiting for the Serbs to agree to the peace plan. *Paul Adams, Belgrade*

ECONOMIC WATCH

Current account deficit widens



Austria's monthly current account deficit widened to Sch7.2bn (£425m) in November 1994 from Sch5.1bn in October, according to figures released by the National Bank yesterday. This amount, however, was less than the Sch7.7bn deficit recorded in November 1993. The current account deficit for the first 11 months of last year was Sch25.9bn, three times the Sch8.4bn deficit for the same period of 1993. The increase is blamed on increased competition from European Union imports and the weak performance of tourism. Gross tourism revenues fell 5 per cent in the first 11 months to Sch125bn, while gross tourism expenditure abroad rose 15 per cent to Sch87bn. A statement from the bank said the current account was "in the upper level of the zone that can still be considered well balanced". *Foreign staff*

■ French consumer spending on manufactured goods was up 0.7 per cent in December from November, according to figures released by Insee, the national statistics institute.

■ Bundesbank reserves fell DM5.3bn (£2.2bn) in the week ending December 31 to DM113bn, implying net profit for 1994 below DM13bn.

■ German car production rose 8 per cent in 1994 to 4.4m vehicles following increasing demand for exports, according to the VDMA motor industry federation.

NEWS: EUROPE

Western investors accused of sabotaging Russian economy

By Chrystia Freeland in Moscow

Several leading western investors were accused yesterday of intentionally undermining the Russian economy, in documents allegedly leaked from the Russian security services to a Russian newspaper.

The attack, which targeted specific western companies, including CS First Boston, the most active portfolio investor in Russia, is part of a broader effort by hardliners in the Kremlin to seize control of Russian politics and economic policy. The power struggle in the Kremlin could further dissuade foreign investors, already made skittish by the war in Chechnya, and could upset Russia's negotiations with the International Monetary Fund for a $6.25bn standby loan.

The documents, allegedly leaked from the Federal Counter-Espionage Agency and the Foreign Anti-Espionage Agency and published yesterday in Rabochaya Tribuna, a conservative daily, cited 15 specific instances in which western investment was designed to "guarantee the technological backwardness of Russia".

The investments singled out by the documents as part of "the hidden intervention of foreign capital aimed at undermining the weapons building capacity and economy of the country" included CS First Boston's acquisition of 2.8 per cent of Lukoil, Russia's largest oil conglomerate, 5 per cent of Kagalymneftegaz, another oil company, and 14 per cent of the oil company Purneftegaz; and the acquisition of big equity stakes in the aluminium sector by the foreign metals trading companies Transworld, acting through Russian intermediaries, and AIOC.

Officials from the agencies contacted yesterday would neither confirm nor deny the authenticity of the cited documents.

The documents, which constitute the most detailed high-level attack on foreign investment in Russia to date, suggest that the hardline faction in the Kremlin is still on the offensive.

Reformers in the government sought to assuage worried foreign investors last week with assurances that Mr Vladimir Polevanov, the recently appointed privatisation minister who has vowed to renationalise some sectors of the economy, would soon be sacked.

The president's office yesterday released a statement confirming Mr Polevanov's dismissal from the Ministry of Privatisation, but he was simultaneously appointed deputy head of the Control Commission in the presidential apparatus which has authority to oversee all government ministries.

The documents leaked from the security agencies yesterday echo earlier statements by Mr Polevanov.

"I believe that [President Boris] Yeltsin's government continues to support reform and foreign investment," said Mr Boris Jordan, head of CSFB's office in Moscow. "Mr Yeltsin understands that an attack on legitimate foreign investment by Russian authorities would be catastrophic."

The direct attack on foreign investors comes in the wake of increased pressure on Mr Vladimir Gusinsky, president of the Most banking group, and one of the most powerful private businessmen in Russia. The Most group owns a television station, newspaper and radio station which have been among the most outspoken critics of the war in Chechnya.

Gen Boris Korzhakov, head of President Yeltsin's personal guard and a leader of the hardline faction, last week accused Mr Gusinsky of corruption and, in a play on the banker's surname, declared that "it is now hunting season on geese".

Unnamed sources last week said that a warrant was being prepared for Mr Gusinsky's arrest. Reached by telephone in Spain yesterday, Mr Gusinsky said that, because of the threat of arrest, he was postponing his return to Russia indefinitely.

Finance minister wants to privatise Nordbanken 'if price is right'

Swedish bank guarantee may end

By Hugh Carnegy and Christopher Brown-Humes in Stockholm

Mr Göran Persson, Sweden's finance minister, said yesterday he favoured removing a state guarantee extended to prop up the banking system during a loan loss crisis in 1992 and added that he would privatise Nordbanken, the chief victim of the crisis, this year *"if I can get the right price"*.

"I am against [the guarantee]," Mr Persson said. "It is not a sound way of handling a banking system. I will lift it as soon as I can do it without hurting the banking system."

A blanket undertaking by the state to honour Swedish bank commitments was one of the key steps taken by Stockholm in late 1992 to retain confidence in the banking system when it was crippled by a spate of bad loans.

The crisis also cost the state about SKr65bn ($8.8bn) in direct cash support and led to the full nationalisation of Nordbanken and Gota Bank, which were subsequently merged.

Persson: bank "in good shape"

The banks have since started making substantial profits again, although the authorities have been hesitant up to now to signal they believed the crisis was fully over by removing the blanket guarantee. "It is a question of finding the right time to realise that the Swedish economy is strong enough, that we are out of the crisis and all banks are in good shape and everything is working," Mr Persson said in an interview.

The Social Democratic government is anxious to proceed with the privatisation of Nordbanken, which analysts believe could be worth SKr15bn. Mr Persson wants to use the proceeds to fund the SKr9.5bn costs of a job creation programme included in this month's 1995-96 budget proposals, which otherwise contained almost SKr20bn in public spending cuts to tackle Sweden's big budget deficit.

Nordbanken reported operating profits of SKr3.54bn in the first nine months of last year, after the consolidation of Gota Bank.

The return to profitability was made possible by both the injection of state cash aid during the loan loss crisis, and the removal of more than SKr100bn in bad assets from the books of the two banks.

"Nordbanken is a very good bank today, in good shape, earning a lot of money," he said.

"I am in favour of going to the market with Nordbanken [this year], but I want the right price and so I must find the right time to do it. I'm quite sure how much I want for that bank, but that needs to be timed exactly right."

He said he had not decided on how the privatisation would be carried out, but he indicated he favoured foreign involvement. "I have clearly declared that I am looking forward to foreign owners coming into the Swedish banking system. That would be very good for competition."

However, Mr Persson ruled out any form of private ownership in Vattenfall, the state-owned energy company, or Telia, the telecommunications company.

He rejected the insistence of the previous right-centre government that both companies needed to move out of state control to meet the competitive pressures posed by increasing deregulation in international energy and telecommunication markets.

"We have no plans to privatise Vattenfall and we have no plans to privatise Telia," Mr Persson declared.

He insisted he was not ideologically against privatisation issues, through which the previous government raised more than SKr20bn. He would approve privatisation if it suited individual companies, but this did not apply to Vattenfall and Telia.

"These companies are an important, a vital part of our infrastructure and I think it is necessary to keep them under state control and ownership," he said.

Threat of energy tax alarms German industry

By Judy Dempsey in Berlin

Germany's influential industrial lobbies yesterday launched a campaign to block any attempts by the opposition Social Democrats and the country's powerful coal sector to impose an energy tax on the country.

The campaign by the Federation of German Industry (BDI), the Federation of Gas and Water (BGW) and the Industry and Trades association is timed to put pressure on Chancellor Helmut Kohl, who will hold energy talks with the main political parties in Bonn on Friday.

The talks are aimed at reviving the debate on how Europe's most powerful economy uses and pays for its energy.

But there will also be an attempt to find out how to finance the country's uncompetitive coal industry, which has enjoyed annual subsidies of DM8bn ($5.2bn).

Until the end of this year, German coal will be financed through the Kohlepfennig, an 8.5 per cent levy imposed on the electricity consumer to subsidise domestic coal by DM180 per tonne so as to match the price of coal imports, which cost about DM70 a tonne.

But a recent constitutional court decision ruled that the Kohlepfennig was unconstitutional and other ways would have to be found to raise the DM8bn in 1996.

The SPD – with its support still rooted in the Ruhrgebiet, the centre of the coal industry – is in favour of an energy tax right across the energy sector, for political and ecological reasons. It also wants an energy tax to finance renewable energy.

But yesterday, the BGW, which represents the municipalities and industry, said this would make industry less competitive, while the BDI said no new energy tax could be justified.

Germany's electricity prices are among the highest in Europe.

Despite this joint campaign by industry, IG Bergbau, the miners' union, yesterday also went on the offensive. Mr Christoph Meer, the union's spokesman, said his 100,000 members supported an energy tax and 1,000 miners would march on Bonn this week to put pressure on the government. "We want our DM8bn a year, because what is at stake is the future of the coal industry and jobs," he said. The sector has shed 70,000 jobs over the past decade.

Although the battle lines have already been drawn between industry which does not rely on coal and the mining sector, Mr Kohl can expect further pressure from his own party. The Christian Social Union, the sister party of the governing Christian Democratic Union, is expected strongly to oppose any energy tax on the nuclear industry, since Bavaria is reliant on this kind of power.

Intrigue at court still dogs Polish politics

Stable government elusive despite electoral reform, write **Christopher Bobinski** and **Anthony Robinson**

It was not meant to be like this. Two years ago Poland's parliament approved a new electoral system designed to allow stable governments with strong parliamentary majorities. But a continuing power struggle between President Lech Walesa and the government, and the resignation 10 days ago of foreign minister Andrzej Olechowski, reveal the persistence of political tensions that are likely to get worse as presidential elections in November approach.

The struggle has already undermined the government, further delayed privatisation, and damaged prospects for reform of the indebted and generous state pension system. It has also raised questions about the ability of the finance minister and central bank to maintain policies designed to cut the budget deficit and further reduce inflation.

The electoral reform of two years ago worked, but not quite as envisaged. In September 1993 general elections were held under the new system, which requires a party to win a minimum 5 per cent of votes to enter parliament. Small, mainly right-of-centre parties, failed to achieve the 5 per cent and the votes of more than 30 per cent of the electorate were re-distributed among the parties that did.

This meant that the two most successful parties, the former communists of the Left Democratic Alliance (SLD) and the PSL Peasants party, together gained about 70 per cent of the seats. After difficult negotiations they duly formed a coalition government with an unassailable majority – and the prospect of four clear years within which to take the tough measures required to complete Poland's transition to a market economy.

However, political and personality conflicts arose quickly between the coalition partners, in particular between Alexander Kwasniewski, the pragmatic, flexible SLD leader, and Waldemar Pawlak, the dour, stubborn leader of the PSL.

Mr Walesa, for whom the prospect of a long-term, stable government led by his former communist opponents meant relegation to virtual irrelevance, was quick to seize upon the internal stresses and add several of his own. His own powers, including the right to nominate the heads of the three "power ministries" of defence, internal and foreign affairs, were legitimised at the December 1990 presidential elections when the Soviet Union was still in existence. They were designed to prevent communists creeping back to power.

Kwasniewski: pragmatic

Walesa: added to stresses

Pawlak: under pressure

But when the communists came back to power through the front door the ground was set for a three-way struggle involving the two coalition partners and Mr Walesa, who is jealously guarding his powers and manoeuvring towards re-election for another five-year term.

Thus, Mr Pawlak's government, instead of sailing serenely on until the next general elections scheduled for September 1997, will remain under considerable pressure at least until the presidential elections. Mr Walesa is doing all in his power to drive an even deeper wedge between Mr Pawlak and Mr Kwasniewski, denigrating the former and pointing to the virtues of the latter as a potential prime minister.

As Mr Kwasniewski is regarded as one of the main potential candidates for the presidency, his diversion into the premiership would neatly remove him from Mr Walesa's path. It could also not take place without a government crisis. Whether the wily Mr Kwasniewski will oblige remains to be seen.

Mr Walesa hopes to rebuild his constituency through a mix of anti-communist reformist rhetoric and populist attacks on the government's IMF-approved policies. He also wants to have the new constitution now being written in parliament to enhance his powers, allowing him to dominate the government if he is re-elected.

Completing this complex agenda will be difficult. But, given the tactical skills he has displayed in the past, he has an even chance. "The politicians know its almost impossible for Walesa to get his way this year, yet deep down they remain convinced that somehow he will manage to get re-elected," one western observer said.

So far it looks as though the economy will prove resilient enough to survive the political drama around the presidential palace. Export-led industrial output is 13 per cent higher than a year ago; productivity is rising fast enough to absorb real wage increases in industry of around 4 per cent; unemployment, still high at 16 per cent, or 2.8m workers, is starting to decline.

Exports rose 25 per cent last year to $15.2bn while imports rose 11 per cent to $15.8bn. Inflation dropped from more than 40 per cent in 1993 to 32 per cent last year on an annual basis and on January 1 Warsaw introduced a new "hard zloty" which signalled confidence in Poland's ability to retain the value of the currency and keep inflation on a downward track.

Mr Walesa has always shown himself to be a much better politician than an economist. If the recovery in western economies and export markets continues, the economy will probably survive the next few months reasonably intact. But it will be difficult, if not impossible, to retain the hoped-for impetus behind steady, long-term institutional and other reforms which are needed if Poland is to be ready for its appointment with European Union membership by the turn of the century. For that, statesmanship – not political craftiness – is required.

Clinton orders terror-linked assets seized

By Jurek Martin in Washington

President Bill Clinton yesterday ordered an immediate freeze on the US assets of 12 organisations and 18 individuals identified as constituting terrorist threats to the Middle East peace process.

Full details of the action were to be announced later, but among the proscribed groups are Hamas, Hizbollah, Islamic Jihad, Abu Nidal and Black September. Also affected is Kach, the militant Zionist offspring of the late Rabbi Meir Kahane's New York-based Jewish Defence League.

Mr Mike McCurry, White House press secretary, said Mr Clinton would discuss the issue in his State of the Union message, to be delivered later last night, and would also send to Congress soon "a comprehensive anti-terrorist package" of legislation.

In a speech last Friday, Mr Warren Christopher, the secretary of state, said the US would press other nations to freeze the assets and impose stiff sentences on terrorists and drug traffickers. He also said the US might make more extensive use of wiretapping and other surveillance tools.

Mr McCurry referred to the weekend bombing outside Tel Aviv, which killed 19 Israelis and for which Islamic Jihad claimed responsibility, as "a painful and tragic reminder" of terrorism's impact.

The president had signed the order on Monday night under the authority of the International Emergency Economic Powers Act, invoked against Iran by President Carter in 1979 after US diplomats had been taken hostage in Tehran.

Under the executive order, according to Mr McCurry, the US had frozen not only identifiable assets of 12 organisations but also the accounts of 18 individuals suspected of involvement in terrorism. The Treasury department was notifying banks yesterday of accounts considered suspect. Fundraising and charitable contributions for the groups would also be blocked.

Israeli intelligence has frequently sought to bring official US attention to the existence of militant Islamic groups in states such as New Jersey and Virginia. The prosecution of those involved in the attempted blowing up of the World Trade Centre in New York in 1992 seemed to lend credence to the Israeli case.

There may be some legal debate in the US over ostensibly charitable activities, generally protected in law. But since the 1970s the US has been able to curtail fundraising by groups suspected of making disguised contributions to the Irish Republican Army.

Blast turns tide against Rabin

Israel's rulers face their deepest crisis, writes Julian Ozanne

Mr Yitzhak Rabin's Labour-led government has fallen into its deepest political crisis yet, with the Israeli public decisively against the peace process and the governing party torn by internal rebellion.

Sunday's suicide bombing by Islamic extremists, which left 19 Israelis dead, appears to mark a turning point in the tide of public opinion which could doom Mr Rabin.

Leading political commentators in the liberal press, which has solidly supported Mr Rabin and the peace process, even went as far yesterday as writing off the government.

Mr Yoel Marcus, the political voice of the liberal Ha'aretz daily, said: "The severe attack following two weeks of government malfunctions and helpless leadership put in question the government's life span... if I was an insurance company I wouldn't issue a life insurance policy to this government."

Opinion polls show that, were an election held today, the Labour party would be trounced. Mr Avi Peer, director of the Mutagim research institute, which conducts regular opinion polls, said that since November Mr Rabin had lost his 3-6 per cent lead over Mr Benjamin Netanyahu, the opposition leader, who is now ahead of the 74 year-old prime minister by 2-3 per cent.

The latest poll shows 55 per cent of Israelis oppose continuing the peace process while 37 per cent thought Mr Rabin should push on with negotiations. Last year polls showed

Rabin: open cabinet rebellion

an average of 55 per cent of Israelis backed the process.

Mr Peer said two issues – security and economics – had eroded Mr Rabin's support in the middle ground, which brought Labour to power in 1992. Attacks by Palestinian extremists opposed to peace have left 116 Israelis dead since the peace agreement was signed in September 1993 and there is a growing perception that the process is unable to improve personal security. "Throughout last year Israelis thought the terror attacks were the price worth paying for peace, but now they no longer believe that," he said.

On the economic issue, Mr Peer said many Israelis sold their houses and took loans in 1992 and 1993 to invest in a booming stock market. Last year the market fell 30 per cent and the government announced an unpopular capital gains tax on stock market profits, which took effect at the start of this month.

Throughout the debate over the tax Mr Rabin seemed weak and indecisive. His hesitancy opened up an argument in the cabinet over economic policy, partly driven by ministers concerned about their personal standing ahead of party and national elections.

One minister leaked a memo warning that the government was "hurtling towards economic disaster, while the economic leadership seems unaware of where it is heading". Another member of the cabinet launched a public campaign against the tax. Mr Rabin has seemed unable or unwilling to assert his authority over the cabinet or restore collective responsibility.

Open rebellion within the cabinet has spread to the Labour party. Mr Eli Dayan, leader of the parliamentary Labour party, resigned yesterday after defying the party and voting in favour of a long school day. Mr Avigdor Kahalani, another Labour MP, is mobilising support in the party that would deny the government a parliamentary majority on freezing construction of new housing in Jewish settlements ringing Jerusalem.

Mr Rabin's standing has been further harmed by President Ezer Weizman's call for a suspension of the peace talks and the creation of a national unity government.

Even more damaging, Mr Shimon Peres, the foreign minister and former prime minister, said recently he had not ruled out an electoral challenge to Mr Rabin.

Pressure is also being put on Mr Rabin to surrender the defence portfolio to give himself more time to bring the party and the government back to order. Ms Yael Dayan, an MP, said many party officials felt the recent infighting had "created a sense of chaos and a public image of a party which is malfunctioning" and it was everybody's responsibility to restore discipline. "If we reinforce Rabin from inside and don't give him a menu of internal feuding every day he can recapture some of his missing self-confidence," she said.

But that might not be enough to save Labour, and with it the peace process, from electoral defeat.

Mr Shimon Shiffer, a political commentator, said: "No doubt there is a turning point in the country and there is less and less support for the government." The left had had it chance for the last two years to carry out its agenda.

"It was always going to be a narrow window of opportunity because the majority of Israelis belong politically to the centre or right and now they are going back to their natural home. There is no chance, short of miracles, that the Labour party will run the country after 1996."

Algiers takes tough stance over debt negotiations

By Roula Khalaf

As the army-backed Algerian government battles Islamist extremists at home, it continues to follow a similarly hard line approach abroad in negotiations over the rescheduling of its $4.5bn (£2.9bn) commercial debt.

Algiers stopped making principal payments on the commercial debt last March, although it still pays the interest. But after the International Monetary Fund extended a $1bn standby credit last spring, followed by the Paris Club of creditor governments' rescheduling of $5bn of the country's $26bn foreign debt, it was expected that a deal would soon be struck with commercial banks, regardless of the political situation.

Japanese banks and leasing companies hold 60 per cent of Algeria's commercial bank debt and play a significant role in financing Sonatrach, Algeria's oil and gas company. With more than 90 per cent of Algeria's foreign exchange income derived from exports of hydrocarbons, Sonatrach's ability to continue financing earnings from oil and gas projects is critical to the Algerian economy.

But the most recent meeting of steering committee, headed by France's Société Générale, held in Paris last week, has failed to bridge the gaps between the demands of Algiers and those of its commercial creditors. There are two main sticking points. First, Algerian officials' original demand that maturities, most of which come due over the next four years, be extended for 20 years seems excessive to bankers. The second and bigger irritant is Algiers' insistence on including a portion of the debt on which bankers consider they have already made concessions comparable to rescheduling.

In 1991 commercial banks agreed to "reprofile" $1.5bn of the $4.5bn in debt with maturities due between October 1991 and March 1993. A reprofiling is a type of voluntary rescheduling in which not all banks are forced to participate. In Algeria's case, however, 95 per cent of the banks were willing to push payments for $1.3bn of the debt until 1995 to 2000 and for the remaining $200m until 1995 to 1997.

Bankers say there was an "understanding" at the time that the reprofiling would not be included in any future rescheduling. It was on that basis that many banks sold off the reprofiled paper on the secondary market.

Algeria's insistence that the $1.5bn be part of any rescheduling agreement is sending signals to the banks that the government will not pay the $150m in principal on the reprofiled debt that is due in March.

Bankers familiar with the negotiations say the banks may be willing to agree on the inclusion of part of the $1.5bn, but Algiers is holding out for the whole amount. "They are pushing the banks very hard, which might have an impact on their future relations," one banker said.

INTERNATIONAL NEWS DIGEST

UK silent over Lockerbie claim

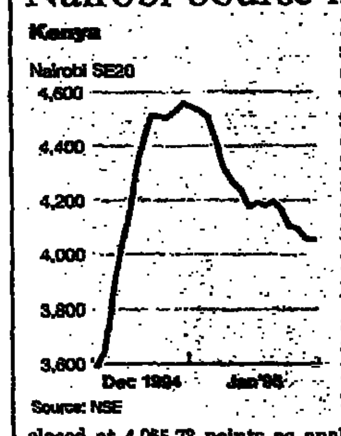
The British government yesterday declined to say whether it knew about a secret US intelligence document casting doubt on British and US claims that Libyan-backed terrorists were responsible for the 1988 bombing of a PanAm airliner over Scotland. Mr John Major, the prime minister, and Mr Douglas Hurd, foreign secretary, both failed to answer written questions from prominent MPs about PanAm flight 103, which was destroyed over Lockerbie with the loss of 270 lives. The delay in answering the questions will fuel claims that the bombing was carried out by Iranian or Syrian agents, possibly as a reprisal for the shooting down of an Iranian airliner by the US navy earlier in 1988. Britain and the US have blamed Libya for the bombing, following a Scottish police investigation. However, Libya has refused to hand over two Libyan suspects for trial in Scotland or the US.

Speculation about the existence of US intelligence documents questioning the involvement of Libya have been raised several times by Mr Tam Dalyell, a Labour MP who has long claimed the conclusions of the Scottish police inquiry were mistaken. However, he has now been joined in demanding an explanation by Sir Teddy Taylor, a prominent Conservative backbencher. *Kevin Brown, London*

Israeli fund managers arrested

Two of Israel's leading fund managers were arrested in connection with an investigation being carried out by the Securities Exchange Authority into manipulation of Israeli stocks, the authority said. In an appendix to a request for an arrest warrant, the authority said it suspected that Mr Haim Regev, investment manager of Bank Leumi's Psagot funds, and Mr Yoram Nagler, a manager at Dovrat-Schrem, manipulated 10 per cent of Israeli shares from 1992-94. Israel Radio reported that the two have been released on bail. *Reuter, Tel Aviv*

Nairobi bourse index falls



Nairobi's bourse index has slipped as optimism over opening to foreigners gives way to the reality of only two such deals – worth $1,500 (£961) – having been made so far. Kenyan President Daniel arap Moi allowed foreign portfolio investment on stock floated on the bourse from January 1. The Nairobi Stock Exchange share index jumped to 4,550 points when it opened after the New Year on January 3 from around 3,500 points when the decision was announced on December 12. Yesterday the 20-share index closed at 4,055.73 points as analysts said it was increasingly clear foreign capital was not going to flood in. *Reuter, Nairobi*

BNL criminal charges ruled out

A US Justice Department report released late on Monday cleared the administration of former President George Bush and Rome officials of the Banca Nazionale del Lavoro of wrongdoing concerning loans made to Iraq. The case involved billions of dollars in fraudulent loans made by the Atlanta branch of BNL, which helped Iraq buy weapons and food before the Gulf war. *Reuter, Washington*

Rao quells dissent by suspending opponent

By Shiraz Sidhva in New Delhi

Mr P V Narasimha Rao, the Indian prime minister, yesterday acted to quell growing dissent in his government and party by suspending Mr Arjun Singh, his main internal opponent, from the Congress party's highest policymaking body.

The suspension of Mr Singh from the working committee because of "anti-party activities" came a month after he resigned from the cabinet. The resignation was seen as threatening the unity of the party after Congress fared poorly in assembly elections in four southern states.

Mr Rao's action against the former human resource development minister comes ahead of assembly elections in six other states.

Congress leaders have accused Mr Singh of provoking Mr Rao to take action against him. His resignation letter was a blistering attack on the Rao government and its policies. Mr Singh said he was disillusioned with Mr Rao's leadership and accused him of allowing widespread corruption in the party.

He said he was resigning because the government had failed to punish those responsible for the 1992 Bombay stock market scandal; to prevent the demolition of a mosque in Ayodhya in December 1992; and to make any progress in investigating the assassination in May 1991 of Mr Rajiv Gandhi, the then prime minister and Congress leader.

Mr Singh later described his letter as "only an attempt to place the mirror of reality" in front of the party and its leadership.

In an interview yesterday with the state-owned Press Trust of India, Mr Rao denied there was a "crisis of confidence" in the government and the party. The prime minister, who has often been criticised for being indecisive on key issues, said "calm and dispassionate handling of a situation should not be confused with indecisiveness. I do not believe in the politics of gimmicks and knee-jerks."

Japan's trade surplus at record high

By Gerard Baker in Tokyo

Japan's merchandise trade surplus in 1994 hit a record high for the fourth year in succession, the country's Finance Ministry said yesterday.

The overall surplus was up by 0.8 per cent from the previous year to $121.2bn (£77.6bn). On a customs-cleared basis, exports rose by 9.6 per cent to $395.5bn and imports increased by 14 per cent to $274.4bn, according to a preliminary report published by the ministry.

But analysts said currency movements had masked a real decline in the surplus in 1994. In yen terms it was down for the second straight year – by 7.1 per cent. And even on a dollar basis the surplus fell by 3.1 per cent in second half of 1994 after rising by 5.1 per cent in the first half, as domestic demand in Japan began to recover from the long recession.

The bilateral trade surplus with the US grew by 9.6 per cent from 1993 to $55.0bn, as strong US growth led to a surge in Japanese imports. The trade surplus with the rest of Asia increased for the fifth successive year, rising by 15.1 per cent to $61.7bn, while that with the European Union declined by 16.2 per cent to $22bn.

The strongest export sectors for the economy in 1994 were electronic parts, which were up by 32.9 per cent, engines (22.7 per cent) and motor parts (18.2 per cent). Exports of cars fell by 2.5 per cent, a 10 per cent fall in volume terms. Among imports, the fastest growing were cars – higher by 38 per cent by value, or 45.3 per cent by volume. Imports of electronics parts and office computers also rose strongly.

Meanwhile, the Economic Planning Agency reported that the diffusion index of leading indicators for November stood at 70 per cent. The figure, a key measure of the country's economic health, has been above the boom-or-bust level of 50 per cent for 10 successive months.

Vietnamese turn reluctantly for home

Judy Dempsey reports on the plight of workers unwanted in a unified Germany

Nguyen dae Hoan believes it is only a matter of time before the German authorities will force him to return to his native Vietnam.

Aged 26, Nguyen, an electrician, was sent by the Hanoi government to the then communist east Germany as part of a bilateral labour contract.

"I arrived in east Germany in March 1988. We were working for Germany. I pay all my taxes and insurance here. Yet they want to send me back. I am very disappointed," he said.

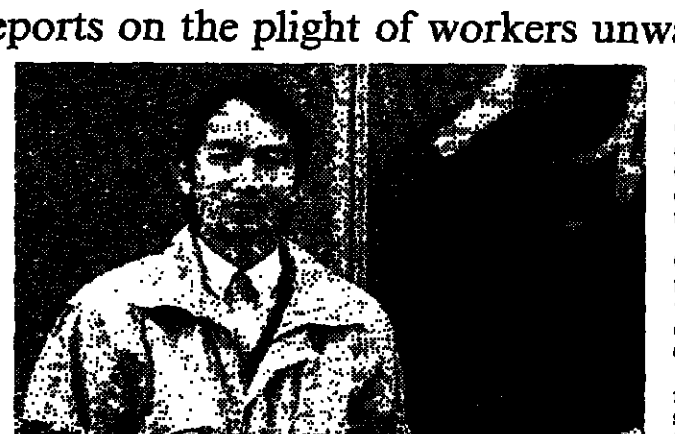
Nguyen is just one of the 40,000 Vietnamese whom the Bonn government intends to repatriate over the next several years as part of the agreement reached with Hanoi last month. He was one of the 60,000 sent by Hanoi to work in east Germany.

Hanoi, which had resisted any attempts to accept any more repatriated Vietnamese, finally acquiesced to pressure from the German government. Bonn had threatened to continue withholding further development aid and export credit guarantees for German companies investing in one of the fastest growing economies in south-east Asia.

But the carrot and stick methods used by Bonn against the Hanoi government appear to be the culmination of years of pressure on the Vietnamese community living in east Germany to leave the country.

"There is a terrible feeling of uncertainty here," said Ms Tamara Hentschel who runs the small Reistrommel association, a citizens' advice centre for the Vietnamese community.

The cramped office in Marzahn, a poor working class district in east Berlin, is located in the heart of the foreign workers' ghetto which the east German regime established in the early 1970s when the first Vietnamese workers were sent to the country. There is hardly a German to be seen in the shabby compound.



A Vietnamese sells cigarettes and clothes in Naumburg, east Germany, in an effort to make ends meet. Ulrike Preuss

"All of the Vietnamese who were sent here were single. Family unification was not allowed," said Ms Hentschel. "About 60 per cent were women. No children were allowed. Communication with Germans was not encouraged. If a woman became pregnant she was either sent home or else had to have an abortion. The telephones were bugged. Any correspondence from the west was censored."

Ms Hentschel, after working in a textile factory with the Vietnamese in 1987, soon became responsible for the administration of the Vietnamese Wohnheim, or living quarters, in Marzahn.

"Those who came believed in the better life. They believed things would be better. They could save," said Ms Hentschel. Nguyen said: "I thought German unification would open up new opportunities for us."

On the contrary. "The east German enterprises, especially the textile and light industry which employed the majority of Vietnamese, closed down overnight," said Ms Hentschel.

The German government, reluctant to accept Vietnamese sent under contract to east Germany, offered incentives to induce them to return home.

"Each Vietnamese was offered a DM3,000 ($2,000) one-off payment, plus 70 per cent of his or her income for three months, and a plane ticket," said Mr Nguyen van Huong, an official at Berlin's city department for foreigners' affairs.

He said that about 30,000 Vietnamese returned willingly to Vietnam. But, in the meantime, about 40,000 more Vietnamese arrived in Germany seeking asylum or family reunification. They are also on Bonn's priority list for repatriation.

Officials at the Marzahn citizens' advice centre said that from the early days of unification, Bonn was determined to repatriate the Vietnamese.

"In one case, between December 1993 and March 1994, the German authorities withdrew all social security, even for those who were entitled to it since they had been sent on bilateral labour contracts which Bonn had to honour after 1990," said Ms Hentschel.

"This decision to withdraw these payments was revoked after it had been challenged by the courts. But it just shows the kind of pressure the Vietnamese were under to leave the country," she added.

According to lawyers, several enterprises, even those placed under the Treuhand privatisation agency, did not pay the 70 per cent income for three months' wages to Vietnamese who had agreed to return home.

As a result, "many were forced to start selling cigarettes on the streets," said Ms Hentschel. "That's the background to all those young Vietnamese you see on the streets. They had no money. They had to find some ways of making ends meet as the authorities tried to force them out of the country."

Officials at the foreign ministry deny such pressure, saying that any Vietnamese in the past, or in the future, would only return "of his or her own free will".

But Nguyen dae Hoan is sceptical about that view. "We are not wanted here. If we were, why do the police keep coming here to the Wohnheim and doing checks?" Indeed, the well-publicised police heavy-handedness against Vietnamese cigarette traders has prompted the Berlin city authorities to hold monthly seminars for the police about the different ethnic communities in Berlin.

"The seminars are very good," said Ms Hentschel.

But for Nguyen, it is too late. "They have already put enough pressure on us to return home," he said. "I have no idea what I will do there. I have no security here. I will have no security there. Is that fair?"

ASIA-PACIFIC NEWS DIGEST

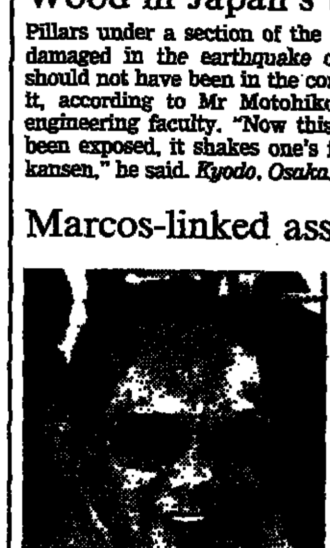
North Korea in N-fuel rods deal

The US and North Korea, during talks in Pyongyang, have agreed on all technical issues relating to the dry storage of 8,000 spent fuel rods, which will halt their dangerous corrosion. The nuclear fuel rods, which contain enough plutonium for Pyongyang to make five nuclear weapons, will be transferred to a third country once an international consortium completes the building of two modern and safe nuclear reactors for North Korea by 2002. Pyongyang wants to retain possession of the fuel rods until then to guarantee that the nuclear reactors will be completed. The two light-water nuclear reactors are being provided in exchange for North Korea abandoning its suspected nuclear weapons programme. *John Burton, Seoul*

Wood in Japan's bullet train pillars

Pillars under a section of the Shinkansen "bullet train" line damaged in the earthquake contain pieces of wood which should not have been in the concrete and may have weakened it, according to Mr Motohiko Hakuno of Toyo University engineering faculty. "Now this sort of engineering work has been exposed, it shakes one's faith in the whole of the Shinkansen," he said. *Kyodo, Osaka*

Marcos-linked assets refrozen



The Philippine Supreme Court has given a fresh boost to government efforts to recover wealth linked to former president Ferdinand Marcos by restoring a freeze on assets of 530 companies owned by his associates. A lawyer for the industrialist Mr Eduardo Cojuangco (picture left), a close friend of Mr Marcos, said yesterday he would ask the court to reconsider the ruling. Mr Cojuangco owns nearly half the 530 companies involved, which range from banks to telecommunications, manufacturing, construction and agricultural companies. An anti-graft court in 1991 ordered the freeze lifted on technical grounds. However the Supreme Court, in a ruling on Monday also citing a technicality, voided that order. *Reuter, Manila*

Bangladesh strike hit by violence

Bomb throwing and violence marked a half-day general strike called by opposition political parties in the Bangladeshi capital Dhaka yesterday. Two relatively harmless small bombs were thrown on a road minutes before the motorcade of Mrs Begum Khaleda Zia, prime minister, was to pass. No one was injured. She had been opening a conference on investment opportunities in Bangladesh. *Reuter, Dhaka*

■ China's 1994 gross domestic product rose 11.8 per cent over 1993 in constant prices, the State Statistical Bureau said. Estimated value-added industrial output was up 18 per cent. *Reuter, Beijing*

■ Hong Kong November retail sales totalled a provisional HK$16.4bn (US$2.1bn) against a HK$17.1bn in October, Census and Statistics Department figures showed. *Reuter, Hong Kong*

هكذا من الأصل

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(Otto Loepfe, President and CEO Swissair Group.)

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Now our new aircraft will make it easier for us to provide you with even better service. And even easier for you to choose Swissair. Time is everything. swissair

*In the "Airtrack 1994" study, which polled 2150 business passengers from 9 European countries, Swissair emerged overall winner of the 12 European airlines examined and top in 7 of 9 key areas. The results of the survey are available from Swissair on request.

Brown attacked over dealings

By Nancy Dunne in Washington

Mr Ron Brown, the US commerce secretary, has become the focus of Republican attack and media scrutiny over details of his financial dealings since taking office in 1993.

As one of the more successful members of the Clinton cabinet and a central player in President Bill Clinton's 1992 election, Mr Brown is a prime target for partisan assault. His aggressive export promotion efforts and high profile trips doing deals in the world's largest emerging markets have made him a favourite with business.

Early in his term, Mr Brown was accused of agreeing to accept a $700,000 (£448,000) bribe in exchange for working to get the embargo lifted against Vietnam, a charge thrown out by a federal grand jury in Miami.

His current difficulties stem from a web of financial transactions involving Mr Brown's partnership with a prominent Democratic fundraiser, Ms Nolanda Hill, in an investment and consulting company and a loan accepted from a Brazilian businessman.

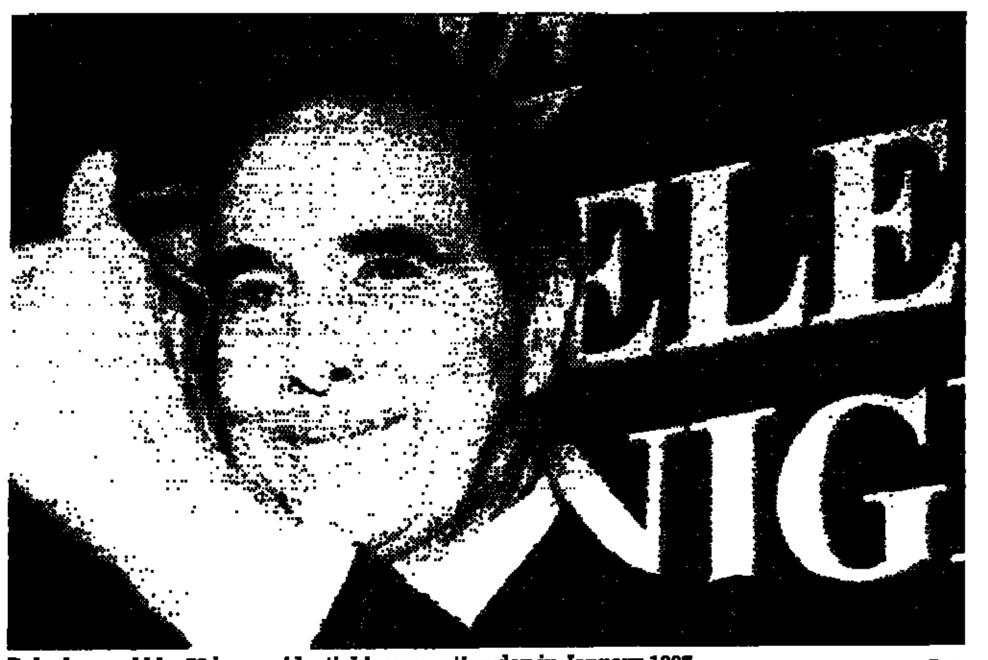
Leaked or stolen papers have raised a number of questions, leading to a chorus of demands in Congress for additional information.

Last week it was revealed that Ms Hill had paid $190,000 of Mr Brown's personal debts and hired a detective to find the source of the leaks. Their company, First International Communications Corporation, undertook a number of foreign ventures with limited success, according to reports which Mr Brown has not refuted. Mr Brown made no investment in the company.

Questions are also being raised about Mr Brown's purchase of a $360,000 townhouse in Washington. The loan was arranged by Mr José Amaro Pinto Ramos, a Brazilian friend who advises Brazilian President Fernando Henrique Cardoso.

Dole plays age against youth

The Grand Old Man of US politics covets the White House, writes Jurek Martin



Dole: he would be 73 by presidential inauguration day in January 1997 Reuter

When George Bush was defeated by Bill Clinton in the 1992 presidential election, it was widely assumed that nobody who fought in the last war would ever again be considered a serious candidate for the White House. Age, if nothing else, would be a disqualifying factor.

Senator Robert Dole always took exception to this universal wisdom because his presidential ambitions still burn as deeply as they did when he was Gerald Ford's running mate in 1976. But it is now becoming increasingly clear that his next run for the highest office is predicated principally on the fact that he is *not* a member of the "baby boomer" generation whose time was supposed to have come.

The majority leader, who would be 73 by inauguration day in January 1997, is far too smart and ambitious overtly to play the age card, which would draw attention to the fact that he would be as old as Ronald Reagan when he started his second term in office.

But by the innuendo at which he is a past master, he loves to leave the impression that he is a political grown-up surrounded by children. And his kindergarten includes not merely the president but equally the speaker of the House, Newt Gingrich, and just about every other younger Republican with an eye on the party's nomination next year.

Several commentators, led by Frank Rich of the New York Times, have pointed out similarities between Mr Clinton, 48, and Mr Gingrich, who is 51. Both come from broken homes, have had trouble with women, avoided military service, like to talk a lot and so forth. This is grist to the Dole mill.

Though notorious for his acerbic tongue, Mr Dole has tended to be relatively gentle with Mr Clinton. This is presumably on the assumption that he would rather run against a battered and vulnerable incumbent than a fresher Democratic face, including vice-president Al Gore.

But Mr Dole is not above publicly advising Mr Gingrich how to do his job now that he is playing in the big leagues as speaker rather than in the bushes as an ordinary opposition congressman.

A perfect example was a television interview last Sunday when he more or less told Mr Gingrich to pull out of his book contract with Rupert Murdoch's publishing company and then pointedly commented, apropos the latest Gingrich broadside against his critics, "In this town, I've learned those who live by the sword, die by the sword."

Where the speaker proclaims he is a "revolutionary" and talks about new waves of interactive technology, the majority leader breaks into the avuncular smile of somebody who has seen it all before and talks about political realities.

Mr Dole has also kept his distance from Mr Gingrich's "contract with America", at least partly because of his long support for the sort of social programmes Mr Gingrich would like to chop off.

But there is also the presumed calculation that he does not want to be associated with the failure or subsequent unpopularity of any of the contract's salient parts, such as constitutional amendments to balance the budget and limit terms in Congress. Mr Dole would prefer to cut workable deals rather than saddle the constitution.

Mr Gingrich is not running for president. After he had an impressive first week in office, some pundits were ready to anoint him, but less so now. Still, most of the other likely Republican candidates not only ascribe to his views but are also baby boomers.

Prominent among them are Senator Phil Gramm of Texas, 52, and former vice-president Dan Quayle, 47. Mr Dole is said not to like the Texan (few of his senate colleagues do) and was discomfited when Senator Trent Lott, the Gramm choice, was voted deputy leader over his preference, Senator Alan Simpson. He got his revenge by denying Mr Gramm a seat on the finance committee, to which Mr Gramm was entitled by seniority.

Mr Dole also never had a high regard for the abilities of Mr Quayle, who at the weekend announced his campaign plans, including an formal declaration in April. A third protocandidate, Lamar Alexander, 54, the former education secretary and governor of Tennessee, seems recently to have shifted well to the right.

Staking out a role for himself as the older voice of experience does not guarantee Mr Dole the Republican nomination. His history of short-tempered campaigns in 1976 and 1988 stand against him, he will not find it easy simultaneously to run the Senate and for office, and he can hardly disguise the fact that he is a creature of Washington, the town right-thinking Republicans now love to hate. Some of Mr Clinton's advisers also think him very beatable.

Still, with a year to go until the New Hampshire snows, Bob Dole, war wound and all, is in there fighting like a younger man by the cunning expedient of making the young look silly. No one else with the White House on the mind has been so original.

Cuba spurns old guard in reshuffle

By Pascal Fletcher in Havana

Cuba reshuffled its government yesterday, naming a new economy minister and central bank head and replacing several veteran bureaucrats with younger, reform-minded technocrats.

The shake-up, which removed two vice-presidents and appointed six new ministers, appeared aimed at giving fresh momentum to the economic reforms being carried out by President Fidel Castro's government.

Mr Osvaldo Martinez, a 51-year-old economist, was named economy and planning minister. As head of the economic commission of the National Assembly he had played a prominent role in implementing recent reforms to decentralise and revitalise the island's recession-hit economy.

He replaces Mr Antonio Rodriguez Maurell, who had previously headed the now-abolished central planning board that ran the Cuban economy while the country was still a member of the Soviet trade bloc Comecon. Mr Maurell also lost his post as vice-president.

The most intriguing appointment was that of Mr Francisco Soberon Valdes as president of the Banco Nacional de Cuba. He had previously headed Acemex, a Liechtenstein-registered management group of 23 companies engaged in shipping and finance operations between Cuba and 18 other nations, including Japan, Greece, Norway and the Netherlands.

Mr Soberon is a former Trade Ministry official who has negotiated financing deals in Britain and Europe. He replaced Mr Hector Rodriguez Llompart, a veteran member of Cuba's economic policy team and former planning board head.

Mr Lionel Soto was another vice-president to lose his post. When the break-up of the Soviet Union plunged Cuba into economic crisis after 1990, Mr Soto played a leading role in negotiations with Russia to try to salvage what remained of Cuban-Soviet trade ties.

The results of these talks were limited, however. A sharply reduced annual sugar-for-oil trade is one of the few remnants of the old commercial relationship between Moscow and Havana.

Also dropped in the reshuffle was Mr José Naranjo Morales, a close aide to Mr Castro who had held the post of minister without portfolio in the cabinet.

Over the past 18 months the Cuban government has moved to open up more of the economy to foreign investment and introduce a series of limited market-oriented reforms, especially in the farming and consumer goods sectors. Moves are also under way to cut state subsidies, reduce the government budget deficit and encourage profitability in state companies.

Clinton locks horns with states on greater voter registration

By Jurek Martin in Washington

The Clinton administration has decided to lock horns with the states over the 1993 act of Congress designed to promote greater voter registration.

The justice department on Monday filed an action seeking to force California, Illinois and Pennsylvania to comply with the law, which California challenged last month in an action which questioned its constitutionality.

The "motor voter" law, an early success for the administration, requires that anybody applying for or renewing a driving licence, or at a welfare office, be provided with voter registration forms.

It has become a symbol of the "unfunded mandates" debate now raging in Washington. Both the new Republican majority in Congress and many of the states complain that Washington often imposes new rules and regulations without providing the means to implement them.

Ms Janet Reno, the attorney-general, and Mr Deval Patrick, her deputy in charge of civil rights, took sharp exception to California's estimates of the additional costs of the act. Governor Pete Wilson had claimed it would cost his state over $35m a year to implement. Mr Patrick cited a congressional budget office study that put the nationwide annual bill at $25m, with a mere $3.5m for California, and that this did not take account of the time and money saved by individuals who did not have to traipse around to separate registration offices.

The California suit alleges violation of the 10th amendment to the constitution by requiring state employees to perform a federal function. Mr Reno countered that "Congress has the authority to regulate federal elections and it used that authority when it passed the law".

She also claimed, though without citing figures, that the law had already resulted in a significant rise in voter registration. But this is a known concern of Republicans who, their new majority in Congress notwithstanding, are convinced that the law is most likely to register poor and minority citizens, traditionally Democratic party supporters.

Under 40 per cent of eligible voters took part in last November's mid-term polls, but turn out in presidential election years has recently been in the mid-50s range. Nine of the 10 largest states, likely to be pivotal in 1996, now have Republican governors.

The justice department is also monitoring other states.

California legend engineers re-election

Amid howls of protest from Republicans, flamboyant California state assembly speaker Willie Brown engineered his re-election early yesterday morning to break a seven-week leadership deadlock, AP reports from Sacramento.

Since the November 8 election gave Republicans 41 seats in the 80-member assembly, the San Francisco Democrat has been using his master manoeuvering skills to remain the state's second most powerful elected official.

One of the most influential black politicians in the country, Mr Brown will leave the assembly in two years under California's term-limits law. Speaker for a record 14 years, he finally defeated Republican leader Mr Jim Brulte in a 40-39 roll call vote for speaker.

It came after the assembly voted 40-39 to oust Republican Richard Mountjoy, who was elected to the Senate and had moved into a Senate office but wanted to stay in the assembly long enough to vote against Mr Brown.

"It's the most corrupt power play in the history of the state of California," said an angry Mr Mountjoy, who was not allowed to vote on whether he could be ousted.

For two months Mr Brown had kept the Republicans from claiming the speakership, using a combination of the parliamentary and back-room wheeling and dealing skills that have made him a California political legend.

First he persuaded a maverick Republican, Mr Paul Horcher, to declare himself an independent and support Mr Brown for speaker, which put him in a 40-40 tie with Mr Brulte.

Then he started trying to oust Mr Mountjoy, arguing the Republican was ineligible to serve in two legislative bodies at the same time.

Republicans briefly boycotted the assembly and met in a hotel, finally returning to try to negotiate a shared leadership plan. The negotiations broke down on Monday and within hours Mr Brown was elected.

Mexican peso falls as foreigners shun tesobonos

By Ted Bardacke in Mexico City

Foreign investors yesterday almost deserted the Mexican government's weekly auction of *tesobonos*, the dollar-linked government securities at the heart of Mexico's liquidity crisis.

The central bank was unable to sell its entire $400m allocation of *tesobonos*, which, combined with $1.34bn in *tesobonos* which mature this week, overshadowed renewed hopes that the proposed $40bn US financial support package would be approved by the US Congress quickly.

The peso continued its slide against the US dollar, while the stock market lost much of its early morning gains.

The central bank had offered $400m in *tesobonos* and sold only $275.3m. Officials at Nafinsa, the state-owned development bank, said they handled only $35m worth of purchases from foreigners, all from the US.

No European or Asian institutions participated in the primary auction.

Due to the low demand the central bank was forced to raise interest rates on all paper offered. Three-month *tesobonos* yielded 24.98 per cent, up 5.23 percentage points from last week, 6-month paper was sold at 26.99 per cent, up 7.25 percentage points and 12-month securities were priced at 21.40 percent, up 1.65 percentage points.

At midday the peso was trading at 5.8125 to the dollar, down from Monday's close of 5.715. The Mexican stock market was up 1.4 per cent after having been up 3.2 per cent in early trading.

House minority leader Richard Gephardt said yesterday he foresaw bipartisan agreement on the package of loan guarantees for Mexico which would allow a vote in the House later this week or early next week, Reuter reports from Washington.

Mr Gephardt declined to discuss sticking points in the talks with Republicans and the White House. "I think we are getting close to the point where we can get an agreement and get the bill up on the floor," he said.

House Speaker Mr Newt Gingrich said the House could start debate on the Mexico loan guarantees as early as Friday.

Several programmes are awaiting the outcome of the vote in the US Congress. Negotiations for a letter of intent with the International Monetary Fund have not progressed as quickly as once thought likely. The IMF is said to be seeking Mexican commitment to a floating exchange rate regime, backed up by a tight monetary policy, and there are also questions about the macroeconomic targets the government will be expected to meet.

In fixing their projections for 1995 the Mexican government has assumed an exchange rate of 4.50 pesos to the US dollar. Using this rate the government has estimated annual inflation of 19 per cent, economic growth of 1.5 per cent and a current account deficit of $14bn.

But with the exchange rate close to 6 pesos to the dollar, many private economists consider these estimates too optimistic.

The IMF is said to be demanding a weaker peso assumption in order to arrive at projections with which the Mexican government will be apply to comply.

Peso fall hits Mexican car market, Page 25

Brazil seeks to bolster confidence in Argentina

By Angus Foster in Brasília

Brazil has taken the unusual step of publicly announcing its confidence in the Argentine economy, reflecting concern in both countries that their standing with foreign investors could be tarnished by the crisis in Mexico.

Mr Francisco Lopes, a Brazilian central bank director, said yesterday that Argentina's position was "very solid". Argentina's covertibility law, which fixes the peso at par with the dollar and forbids the printing of unbacked local currency, and its high degree of "dollarisation," meant "the risk of a crisis was much less than sometimes the media thinks," Mr Lopes said.

Mr Lopes spent last week in Buenos Aires after Brazil's foreign ministry asked for a technical evaluation of the Argentine economy. His comments reflect the growing links between the two countries following approval of the Mercosur customs union, as well as an attempt to differentiate themselves from Mexico.

Private sector analysts think Brazil is also worried that a crisis in Argentina would have much more severe effects on Brazil than the fall out from Mexico.

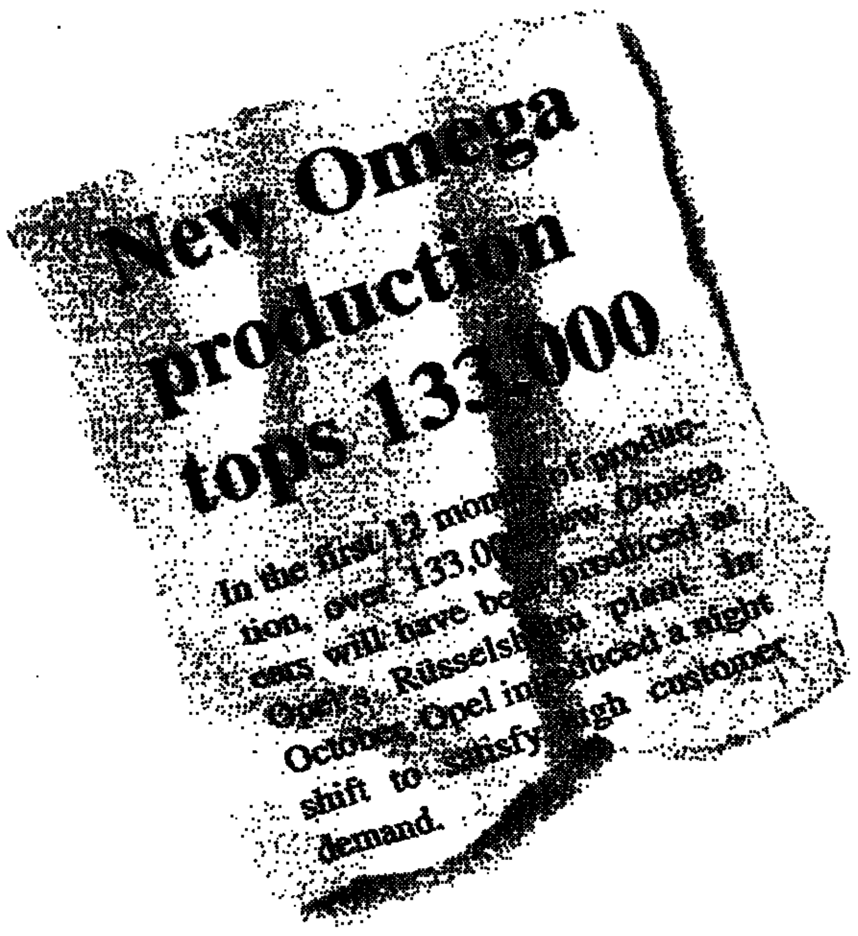
Mr Pedro Malan, Brazil's new finance minister, said Brazil's current account deficit last year, of less than one half of 1 per cent of GDP, should be contrasted with Mexico, where the deficit nearly reached 8 per cent. He said the government would aim to keep Brazil's trade in surplus, but that a "moderate" current account deficit of 1.5 to 2 per cent of GDP in the near future was possible, "as long as it is financed by capital which is not short term".

Officials said the outlook remained good for inflation, now below 2 per cent a month compared with nearly 50 per cent before the launch of the Real currency last year.

But Mr Pérsio Arida, central bank president, said tight monetary policy would not be relaxed until the government has a thorough fiscal reform in place to guarantee its commitment to a balanced budget.

This reform, likely to involve sweeping changes to the tax and social security systems, is under discussion and is likely to be presented to the new Congress once it takes office next month.

For once, critical and public opinion are as one.



"Omega's dynamic qualities make it the leader of its class"
Coche Actual (Spain)

"In handling, safety and comfort, the new Omega V6 is out in front"
Auto Zeitung (Germany)

"The finest car in its class by a comfortable, if not heroic margin"
Autocar (UK)

The public often rejects that which the experts admire. And vice versa.

The new Opel Omega, however, has clearly avoided such a fate.

It was launched in March this year to rapturous reviews from the motoring press. Among the praise which accompanied that above were quotes such as "The Omega holds three trumps: performance, fuel consumption and level of equipment" from Action Auto Moto in France and "A jump ahead" from Corriere della Sera in Italy.

Car buyers, too, showed their appreciation. Sales of the Omega throughout Europe surpassed even our expectations and we've had to add a night shift at our Rüsselsheim plant in Germany to meet demand.

You won't be surprised, therefore, to learn that the Omega has already won some major motoring awards, among them the prestigious "Goldenes Lenkrad" award for best new model in its market segment, given by Germany's Bild am Sonntag and the RJC award for "Import Car of the Year" in Japan.

The Omega is just the latest in a long line of Opel success stories which have helped us to become the leading car brand in Western Europe with no less than 12.5 % of the market.

Meanwhile, you can rest assured that we're busily developing more exciting new models for the future.

Cars which, we have no doubt, will also prompt both praise and sales in equally impressive measures.

OPEL

NEWS: WORLD TRADE

Mercedes negotiating joint van venture with Russians

By Kevin Done, Motor Industry Correspondent

Mercedes-Benz, the German car and commercial vehicle maker, is negotiating a joint venture to produce vans in Russia as part of the international expansion of its light commercial vehicle operations. The group has begun talks with UAZ, a Russian light commercial vehicle producer, to set up a facility in Ulyanovsk, 600km south-west of Moscow.

Mercedes is considering the transfer to the UAZ factory of plant and equipment for its T1 medium/heavy duty van range, which is currently made at Düsseldorf, Germany. It is also examining the transfer of plant and equipment for a range of diesel engines from its plant in Barcelona, Spain.

Mr Bernd Gottschalk, director of Mercedes-Benz's commercial vehicles division, said no final decision had been made but the outlook for the deal was "promising". The group was also considering the transfer of equipment from Austria for its four-wheel drive sport/utility vehicle, the Geländewagen.

Output from a joint venture, in which Mercedes-Benz would expect to hold management control, would total at least 30,000 to 50,000 a year.

The transfer of equipment from its west European plants – including for engine manufacture – would ensure a high level of local content. Mr Gottschalk said the group had begun talks with its parts suppliers in Europe to establish a local supply base for the UAZ venture.

The T1 van range is shortly to be replaced in west Europe by the Sprinter range, which Mercedes-Benz unveiled this week as part of an aggressive strategy to increase its share of the European van market and to establish a presence in overseas light commercial vehicle markets for the first time.

Mr Gottschalk said the Sprinter, which has been developed in a DM1.4bn ($910m) programme, would also be produced in Argentina with output due to begin in 1996.

It is investing DM125m in the Argentinian operation with the aim of producing 15,000 units in 1997, of which around 80 per cent would be exported to other markets in South America including 10,000 to Brazil.

As part of the globalisation of its van operations Mercedes-Benz is also beginning production in South Korea of a version of its lighter, Spanish-built MB100D panel van.

This vehicle is to be replaced later this year in Europe by a City Transporter range of light/medium duty vans to be produced at Mercedes-Benz's plant at Vitoria, Spain, with a capacity for 55,000 units a year. The MB100D is to be manufactured in South Korea by Ssangyong Motor.

BMW of Germany has become the first European carmaker to begin small volume car assembly in Vietnam, writes Kevin Done. The company said yesterday that assembly had been started by Vietnam Motors Corporation, its local importer/distributor, at a plant in Hanoi. Output was expected to total 200-300 3 and 5 Series cars this year, and the company expected to open its first two dealerships this year in Hanoi and in Ho Chi Minh city. BMW has also begun assembly in the Philippines through Asian Carmakers Corporation, its importer/distributor, which is planning to open four dealerships this year.

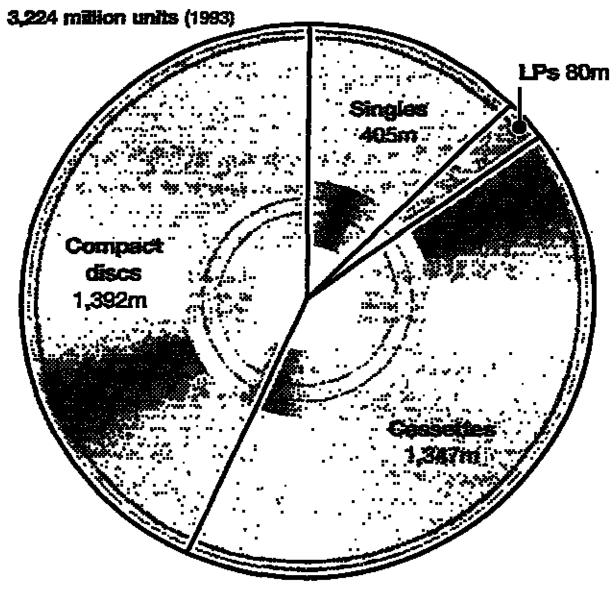
On the move: Production of T1 van range may start in Russia

Sony and Philips on wrong side of divide

Matsushita vote for digital video is body blow, write Michiyo Nakamoto and Alice Rawsthorn

Worldwide recorded music sales

3,224 million units (1993)



Source: Industry estimates, International Federation of Phonographic Industries

Sony and Philips yesterday appeared to be on the wrong side of the technological divide as the world's leading electronics manufacturers lined up behind rival formats for the next generation of audio and video recording discs.

Matsushita, the world's largest consumer electronics group, cast its vote in favour of a standard for digital video discs being developed by a group of electronics companies led by Toshiba, and including Hitachi, Pioneer and Thomson, the French consumer electronics maker.

Matsushita's move tips the balance away from the Sony and Philips rival video-CD format, unveiled a month ago in an effort to establish it as the industry standard.

The clear division in the consumer electronics industry over video-CDs threatens to become a war similar to that between the VHS and Betamax video tape standards which created havoc in the consumer electronics industry in the 1970s. At that time Matsushita backed the VHS format, forcing Sony's Betamax to stage a retreat.

The new generation of video-CDs is expected eventually to replace audio-CDs and video cassettes. These products currently generate sales of around $84bn a year. The market for video cassette recorders and video cassettes was worth $54bn last year, according to industry estimates, with sales of audio CDs and players totalling $30bn.

The company that succeeds in establishing its product as the industry standard will not only have a technological edge over its rivals in developing video-CD systems, but will also make substantial sums in royalties from licensing its technology to other manufacturers.

Sony and Philips have kept the value of their audio-CD royalties a closely guarded secret. However they are believed to make roughly 3 cents for every CD manufactured, which would have been worth almost $44m in 1993. If Toshiba's standard prevails, it stands to gain substantial royalties in the future.

"There are 80m TVs in the world and 40m VCRs. We expect to see similar growth" for digital video, Mr Toshikatsu Yamawaki, managing director of Matsushita said yesterday.

"The main point is for the industry to unite behind one standard which has to be a format that is supported by Hollywood," Mr Yamawaki said.

The format Matsushita is backing, called the super density disc, or SD, also has the support of Time Warner, the US entertainment group which has link with Toshiba, and MCA, the entertainment group owned by Matsushita. It is being endorsed further by JVC and Mitsubishi Electric.

The SD will be made by putting two discs together back to back, with each side capable of holding 5-gigabytes of data on each side, or more than 7.5 times the amount of data on a conventional CD. Each side of the disc will be able to hold 142 minutes of high quality images and sound. The format proposed by Sony and Philips, on the other hand, can hold a total of only 3.7 gigabytes of data, or the equivalent of 135 minutes of video.

The Sony-Philips team had claimed that their format would be able to keep the costs of making the new discs much lower than the rival format since the new discs could be made at exisiting CD production facilities.

But Toshiba yesterday said manufacturing costs would be similar and the new SD-players would also be able to play conventional CDs and laser discs.

Digital music, Page 17

Japanese car market under US testing

Another attempt will be made to encourage imports, writes Michiyo Nakamoto

Mr Hideo Fujiwara is planning to carry out a mandatory vehicle safety inspection on his Subaru estate car himself rather than take it to the local garage as most people do in Japan.

If there is nothing wrong with the car, Mr Fujiwara will save most of the Y100,000 ($1,000) that would be charged by any garage, whether or not any work is done, and get away with just the Y3,500 for the paperwork.

Mr Fujiwara and other Japanese drivers will be watching with interest when US and Japanese trade officials resume talks tomorrow aimed at improving foreign access to Japan's market for cars and car parts.

The talks, like many other US attempts to force open Japanese markets, could bring significant benefits to Japanese consumers by increasing their choice of vehicles on the market and easing some of the tight regulations that have kept the cost of car ownership in Japan onerously high.

At stake are foreign vehicle makers' prospects of taking a larger slice of the Japanese market, which generated Y14,000bn of combined sales in 1993, and the parts market, which was worth Y13,000bn.

The question of dealers handling foreign cars is likely to focus on a Japanese government proposal to act as matchmaker between domestic dealers and foreign companies in the vehicle parts aftermarket where, conveniently, the interests of US manufacturers match those of Japanese consumers.

The US is calling for an overhaul of Japan's vehicle safety inspection system, known as *shaken*, which it claims creates an obstacle for foreign car parts makers trying to penetrate the Japanese market.

In particular, the US is looking for the relaxation of rules in three areas which it believes have kept Japan's aftermarket closed to foreign competition:

- The ministry of transport has a long list of vehicle components which are designated "critical". These can only be removed from the vehicle for inspection by a certified garage. As a result, foreign manufacturers of "critical" components can sell them only to such certified garages.
- To win certification, garages need at least two licensed mechanics and equipment designated by the ministry of transport. These rules on certification restrict competition in the market from car parts shops, for example, which in turn limits the market for foreign car parts.
- Minor alterations to vehicles must be registered and there are stringent rules on what changes can be made. The transport ministry claims that any change that alters the size of a car, such as a large roof rack, could affect the functioning of shock absorbers, tax rates and even road plans.

The US argument is that these rules should be relaxed to allow competition in the servicing market, particularly from parts shops which would be encouraged to carry more foreign-made parts if they could use them to service cars and make minor alterations.

Japanese consumers could also benefit from an easing of regulations. The financial burden of frequent safety inspections – required three years after a new car is purchased, then every two years, and once a year after the tenth year – is compounded by the high cost of replacing parts at each inspection.

"I definitely want the US to make a fuss about this," says Mr Fujiwara. "The *shaken* system is something that will never be changed without a major uproar because it is in the interest of the industry and bureaucrats to maintain it. Even the mandatory insurance, which adds to the cost, is unnecessary because most drivers have their own private insurance," he says.

Widespread criticism of the rigid rules amid the general move towards deregulation in Japan has led the transport ministry to announce some changes. It has agreed to reduce the number of "critical" parts and from this July owners of cars over 10 years will only need inspections every other year.

In addition to a great proportion of the public, which has long regarded vehicle inspection rules as antiquated and anti-competitive, an influential part of the trade ministry itself would be happy to see substantial deregulation of the market.

Japan still faces the possibility of sanctions under section 301 of the US Trade Act which ruled the Japanese vehicle parts aftermarket as discriminatory. While the Japanese authorities have insisted on separating the trade negotiations from any section 301 actions, they would prefer to avoid sanctions if possible.

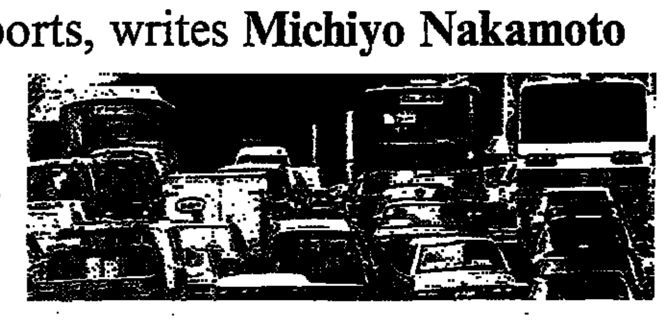
Ideally, one official says, bold steps to ease regulations in the aftermarket would be incorporated in the government's plan for deregulation that is scheduled to be completed in March. "That way," he says, "we might be able to avoid sanctions and open our markets as well without seeming to do so under pressure from the US."

Further concessions from the transport ministry, however, will be hard to come by. The ministry fought a bruising battle with the Japan Automobile Service Promotion Association, the industry association, to ease inspection requirements.

With 80,000 garages as members, the association is, furthermore, a powerful political lobby through its close ties with local politicians.

Substantial deregulation of the *shaken* system would affect Japanese car manufacturers themselves, since the burden of inspections has acted as an incentive for Japanese consumers to trade in their old cars for new ones.

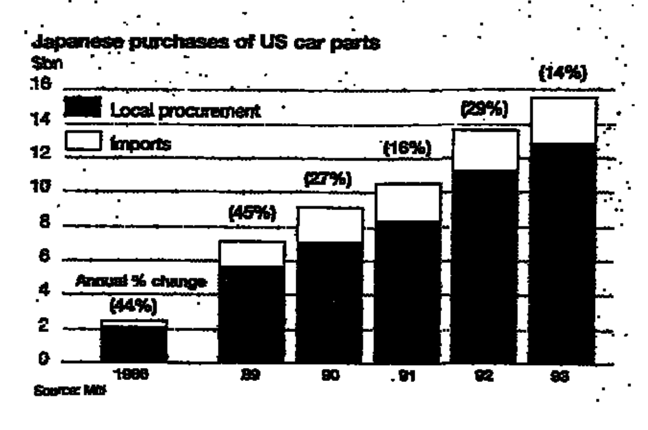
Accepting US demands in full can only lead to a wholesale dismantling of the *shaken* system itself. That is a prospect that would be fiercely opposed by more powerful sections of the motor industry than the servicing garages.



Share of imported cars in Japanese market

	1990	1993	1994	Dec 1994
Total	5.1%	5.7%	8.1%	11.8%
of which European	4.4%	4.0%	5.4%	8.3%
US	0.7%	1.6%	2.7%	3.4%
of which US Big 3	0.4%	0.6%	1.0%	1.3%

Japanese purchases of US car parts



Source: MIti

TRADE NEWS DIGEST

UK group in China contract

Babcock International, the British engineering group, is part of a consortium that won an order for two power stations in China worth a total of $600m. Babcock's part of the order is worth $200m for the supply of four coal-fired boilers. *Reuter, London*

■ South Korea's Hanwha Group has agreed in principle to take part in building telecommunication networks in North Korea. A Hanwha delegation recently returned from a five-day trip to North Korea for talks on investment and industrial projects. The telecoms networks are to be built as part of North Korea's project to develop the northern Rajin-Sonbong area into a free trade zone. *Reuter, Seoul*

■ Pacific Star Communications, Australian subsidiary of Telecom New Zealand, has won a contract to manage the telecoms activities of Western Australia's state government. Telecom said Pacific Star had managed the Queensland government's telecoms since 1992. It currently manages A$140m (US$107.6m) in telecoms spending on behalf of more than 45 Australian companies and 400 government departments, agencies and local councils. *Reuter, Wellington*

■ Digital Equipment and COL, a unit of Hong Kong's Wheelock, have signed service and equipment agreements worth HK$19m (US$2.5m) with Macau's telecommunications carrier, Companhia de Telecomunicacoes de Macau (CTM). The deal will more than double CTM's computer power and data storage capacity. *Reuter, Hong Kong*

■ T&N of the UK has agreed to establish a pistons products joint venture in Turkey with Dereli Holdings. The holding company will comprise two Turkish businesses, Goetze Istanbul Segmen ve Gomlek Sanayi Ticaret, maker of piston rings and cylinder liners, which is 100 per cent owned by T&N, and Istanbul Motor Piston ve PimSanayi, maker of pistons and pins, which is 85 per cent owned by Dereli Holdings. *AFX, London*

■ Taiwan's Tuntex Group will participate in a project to build a $525m cement factory in the Philippines. Tuntex will lead a group of Japanese and overseas Chinese companies to put up a third of the investment. The other two thirds will be funded through bank-syndicated loans. *Reuter, Taipei*

ECGD reports big business swing to Gulf

By Guy de Jonquières, Business Editor

The Middle East displaced East Asia as the UK Export Credit Guarantee Department's largest source of new insurance business in its most recent financial year, reflecting a surge in British defence equipment sales to Saudi Arabia, Kuwait and other Gulf states.

The ECGD said that of the £4.1bn ($6.5bn) of capital goods exports and overseas project deals it insured in the 12 months to March 31 last year, almost £2bn, or 48 per cent, was for defence contracts.

These contracts helped make Saudi Arabia and Kuwait the department's two biggest markets for new business, accounting for guarantees of £750.7m and £613.8m, respectively, while Oman and Qatar together accounted for a further £631.7m.

The value of cover for Hong Kong, the ECGD's largest market in 1992-93, was almost halved last year to £489.4m, while guarantees to China fell slightly. Indonesia and Malaysia, the ECGD's second and third largest markets in 1992-93, failed to make the list of the top 10 last year, although guarantees for exports to India doubled to £208.5m.

Mr Brian Willott, ECGD chief executive, said yesterday that the proportion of total business taken last year by defence – which accounted for 42 per cent the £3.8bn total in 1992-93 – was the largest in the department's history.

However such large shares were exceptional, and defence was running at only about 20 per cent of the total so far this year. He expected the Far East to re-emerge as the ECGD's biggest market for guarantees in the current year.

The value of last year's total guarantees, the highest for a decade, was also boosted by an increase in cover for aircraft sales to £606m. However, the value of guarantees for other types of exports fell to £1.5bn from £1.9bn.

The ECGD paid over £40m in cash to the Exchequer last year, the first such payment since the third world debt crisis in the early 1980s. The level of claims fell to £511.9m from £784.8m the previous year, while recoveries increased to £188m from £157.3m.

However, total premium income fell to £111.8m from £140m, reflecting lower premium rates and a changing business mix, and the trading surplus to £407.5m from a restated £570.1m.

Mr Willott said the ECGD had not been affected so far by Mexico's financial crisis and had suffered no defaults involving China.

At the end of the ECGD's last financial year, its total exposure was £24bn. Of that, £1.9bn was to Hong Kong, £1.7bn to Nigeria and £1.4bn to China.

Almost half of the £2.1bn used under the ECGD's "amber zone" budget – for markets involving unusually high risk or a high concentration of ECGD exposure – was accounted for by China and the Philippines last financial year.

British Airways in Caribbean commuter link

By Canute James in Kingston

British Airways and several Caribbean governments have created a new commuter airline for the region, which is heavily dependent on tourism revenues.

The move follows the British company's rejection of an earlier invitation to be part of a holding company to run three of the region's financially troubled carriers.

Governments in the region invited BA to help establish the new island-hopping commuter airline – provisionally called "Carib Express" – and the carrier agreed to give its backing to the project only if Caribbean business was willing to take the lead, and if governments approved the venture.

Although initiating the venture, five Caribbean governments – Barbados, Dominica, Grenada, St Lucia and St Vincent – will have only a 10 per cent stake in the airline, with BA holding 20 per cent and Caribbean investors the remainder.

The company has raised a US$5m loan from the European Investment Bank, and is negotiating the purchase of three BAe 146 aircraft from British Aerospace.

The launch of "Carib Express" is expected before June. The venture follows the scrapping of an ambitious plan by several Caribbean governments to form a new holding company to run the merged operations of three loss-making, state-owned carriers, and then offering a share of the new holding company to BA.

The original plan was for a merger of Air Jamaica, Trinidad and Tobago Airways, which runs BWIA International, and Leeward Islands Air Transport (LIAT), an island-hopping carrier owned by 10 governments. The plan was hit by the refusal of some governments to accept proposals from BA, which was offered a 25 per cent stake in the venture, that the new airline created from the merger should confine itself to routes within the Caribbean.

A study commissioned by the Caribbean Community indicated that a rationalisation of the region's air transport, with shared services and a single company running the airlines, would lead to savings of $60m a year. However, senior executives of both BWIA and Air Jamaica say the plan has been killed by the carriers' privatisation.

The decision of the five eastern Caribbean governments to seek BA's help in launching the new carrier follows their disappointment with the performance and prospects of LIAT, which shareholder governments have been subsidising for several years. An attempt last year to sell it to private investors was blocked, ironically, by some of the very governments which want it divested. They feared that new owners might stop providing a "service" on some uneconomical routes to smaller islands.

The takeover of Air Jamaica by a consortium, which purchased a 70 per cent stake for $26.5m, was completed in November after seven months of talks with potential investors. The sale was concluded after Mr Gordon Stewart, one of the Caribbean's leading hoteliers, agreed to take a 30 per cent stake.

The consortium is hoping to attract a big foreign carrier, possibly American Airlines, as a minority partner.

Air Jamaica, which lost an estimated $20m last year, has a fleet of eight aircraft, comprising Airbus A300s and Boeing 727s. It plies routes between the island and several eastern and south-eastern US cities.

> BA agreed to back the project only if local business took the lead

BWIA's search for a foreign partner saw fruitless efforts to court BA, Air Canada and Delta, among others. The company has just concluded negotiations on selling a 51 per cent stake to US and regional investors, with the main shareholder being a consortium led by Mr Edward Acker, former chairman of the defunct Pan American World Airways. He was also chairman of Braniff Airways, which collapsed in 1981, and was chief executive officer of Air Florida, which folded in 1983.

The purchase by Mr Acker's group of 25.5 per cent of BWIA for $10m is being challenged in Trinidad and Tobago's courts by lobby groups which claim the government has not published enough information about the sale of a state-owned company.

Another 25.5 per cent stake in the airline is being offered to regional private investors. Unions representing the company's workers claim a recent valuation put BWIA's assets at $167m, suggesting the price being paid does not reflect a fair value.

BWIA operates a fleet of 13 aircraft and links eastern Caribbean countries with several cities in the US, Canada and western Europe. Latest figures show accumulated losses of $116m.

NEWS: UK

CBI sees no need for immediate interest rate rise

By Robert Chote, Economics Correspondent

The Confederation of British Industry said yesterday that there was no need for an immediate increase in interest rates, in spite of a survey showing that manufacturers are more confident about raising their prices than at any time for five years.

The CBI's latest industrial trends survey showed export orders rising at their strongest rate for a decade and factory output growing more quickly than at any time since 1988. It reinforced City expectations that another rise in base rates is likely *early next month and* all but inevitable by March.

But Mr Andrew Buxton, chairman of the CBI's economic affairs committee, said the survey did not in itself justify higher base rates. "There are undoubtedly cost pressures building up, but these have not yet fed through significantly to prices," he said.

The survey showed that industry's spare capacity is continuing to shrink, but that companies remain reluctant to invest in new plant and machinery because they are uncertain about future demand.

Mr Buxton admitted he was "puzzled" by the fact that manufacturers did not expect to step up investment as much as they did in the last quarterly survey in October. "But we need to see the results of the next survey before we can be sure that investment plans have indeed altered," he said.

Five times as many manufacturers expected to put up their prices in the coming four months as expected to reduce them. But CBI economists doubt whether companies will be able to lift prices as much as they hope, as recent planned increases have failed to materialise.

This month's jump in expected price increases was also in large part seasonal, reflecting the introduction of new year price lists. The rise in prices over the past four months was *in line with rises in costs. This* indicates little pressure on profit margins.

The survey did not suggest that growth in manufacturing output was slowing, as recent official figures have implied.

Some 29 per cent of manufacturers said they expected to step up production in the next four months, with 9 per cent expecting to cut their workforces. Mr Don Smith, economist at HSBC Markets, the gilt-edged market maker, said those figures implied that growth in factory output could soon exceed 5 per cent a year.

The CBI survey will be high on the agenda when Mr Kenneth Clarke, the chancellor, of the exchequer, and Mr Eddie George, the governor of the Bank of England, discuss interest rates a week tomorrow.

Prudential remains opposed to watchdog

By Alison Smith and John Gapper

Prudential Corporation, the UK's largest life assurance group, insisted yesterday that its opposition to joining the new watchdog to protect private investors remained, despite the departure of Mr Mick Newmarch, its chief executive.

Its statement came amid speculation that the high-profile stance against the Personal Investment Authority taken by Mr Newmarch, who resigned abruptly on Monday, might no longer be supported by the entire Prudential board.

When Sir Martin Jacomb, chairman of Postel Investment Management, was selected last year to become chairman of the Prudential from May 1995, some regulators believed that this would herald a softening of the Prudential's attitude.

Colleagues of Mr Newmarch at Prudential said yesterday Mr Newmarch had resigned because he was becoming increasingly frustrated and angered at the burden imposed on insurance companies by heavier regulation.

However, colleagues were shocked by Mr Newmarch's decision to go without allowing time for a successor to be selected. Sir Brian Corby, the company's chairman, was first told of the decision when Mr Newmarch telephoned him last Sunday.

Sir Brian tried to dissuade Mr Newmarch, but called an emergency board meeting on Monday when he failed to do so. Because of the haste, the meeting could only be attended by nine of the company's 13 board directors.

Mick Newmarch yesterday: a mixed legacy — Trevor Humphries

At the five-hour meeting, Mr Newmarch rejected further entreaties to change his mind, or to delay his resignation until following the completion of a stock exchange inquiry into his dealings in Prudential shares last October.

Mr Newmarch had netted a £203,000 profit on October 25 by exercising options on 208,750 shares in Prudential, and then selling them just hours before the SIB published a report on how to compensate the victims of bad pensions advice.

Sir Brian insisted that the resignation statement put out after the meeting had to refer to the stock exchange inquiry. He believed that if the news emerged subsequently, it would appear to have been a deliberate deception.

Prudential said its decision not to join the PIA, the watchdog which came into operation last July, had been a unanimous decision of the board, and that it had been unaffected by Mr Newmarch's departure.

This means that it will remain the only large organisation to be regulated directly by the Securities and Investments Board, the City's chief regulator. The SIB has made it clear that it wishes to withdraw from direct regulation.

Investors yesterday reacted with concern to the sudden resignation and the lack of an obvious successor to Mr Newmarch. Shares closed at 295p in London, down 14p against a rising market.

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A colourful figure who rose from the ranks to lead the Pru

Mr Mick Newmarch, who rose from being a 17-year-old clerk to chief executive of Prudential, is one of the business world's more colourful figures. Chief executive since April 1990, he joined the insurance giant straight from a north London grammar school in 1955, beginning his career in the economic intelligence unit.

He earned his economics degree through night classes and became investment manager in 1982. His management style is said to be brusque and at the Pru was an outspoken controversialist who appeared, at times, to court skirmishes with all-comers.

Little more than a year after he became group chief executive, he found himself defending a 43 per cent increase in his own pay to £543,673 after revealing a sharp fall in the Pru's profits and a £340m loss on the sale of its estate agency business.

His managerial legacy is mixed. As head of Prudential Portfolio Managers in the 1980s, he failed to build up the Pru's external fund management activity to rival leading investment management groups such as Mercury Asset Management.

To 56 year-old Mr Newmarch's credit, he carried through the restructuring of the company's field force at a time of great regulatory change.

The Prudential's strategic focus shifted decisively to North America and the Asia-Pacific region, where acquisitions have recently been made.

Prudential's record is to appoint as chief executive someone who has had a long career with the organisation.

On that basis, the two leading internal candidates appear to be Mr Keith Bedell-Pearce, *chief executive of Prudential* financial services, and Mr Jim Sutcliffe, director of the home service division.

Mr Sutcliffe, 37, is seen as a rising star. He became the youngest director of the Pru in recent history last March and is credited with much of the work of making significant cost savings in the Pru's direct sales operations.

Doubt cast on agreement over veal

By Alison Maitland

Dutch veal producers are able to house only half the 180,000 British calves exported to the Netherlands each year in group pens rather than controversial veal crates, the Dutch meat industry said yesterday.

This casts doubt on an agreement announced by the UK Meat and Livestock Commission earlier this month under which it said the Dutch industry had guaranteed all requests would be met for British calves to go to group pens, or loose boxes, where they are fed maize as well as milk powder and have more room to move.

The Dutch Commodity Board for Meat and Cattle said group pen places were restricted by EU regulations on bovine spongiform encephalopathy, or "mad cow disease", which meant British calves had to be kept on separate farms from other calves.

Mr Sjoerd Dijkstra, spokesman, said: "Only about 80,000 to 90,000 group pen places are situated on the special farms where they're allowed to raise British calves."

The Dutch agriculture ministry said it advised farmers to keep UK calves separate, although this was not obligatory. Mr Willem Bakkenes, head of the Dutch veal producers' organisation, told the BBC last night: "It's a possibility some people in Holland can make an arrangement with some people in England to keep British calves out of crates, but for most farmers in Holland it's not possible."

The UK Meat and Livestock Commission said it was unaware of the restriction on places. "We have the guarantee.. As far as we're concerned, that means 180,000 calves a year. If that's not the case, we will be taking it up with them."

On Monday, EU agriculture ministers backed an early review of the veal crate system which is likely to lead to a European Commission proposal for a ban. It is not clear, whether this will be approved by the agriculture council.

Premier woos right-wing Tories over deregulation and EU

Mr John Major yesterday delighted right-wing Conservative MPs with a raft of fresh deregulation measures, including looser rules for charities expected to add billions of pounds to investments in equities, Kevin Brown and Andrew Adonis write from Westminster.

In a speech intended to demonstrate ministers' continuing determination to cut red tape, Mr Major also vowed to reduce European Union involvement in the workplace, and maintain the UK opt-out from the social chapter of the Maastricht treaty.

"It is vital to our competitiveness and jobs that Britain remains outside the social chapter. Our opt-out is not negotiable. So far as I am concerned, we are out and we are staying out," he told the Retail Consortium.

Mr Major's comments on Europe were seen as a further olive branch to nine Eurosceptic MPs excluded from the Conservative party whip following a rebellion in November over increased UK contributions to the EU.

However, Downing Street said the prime minister's main aim was to reignite the bonfire of regulatory controls begun by the Deregulation Act, passed last year, which gives ministers powers to abolish "unnecessary" rules by parliamentary order.

The proposed changes to charities will raise the limit on investments in equities from 50 per cent of total purchases of securities to 75 per cent, producing an estimated £300m a year in additional annual income.

The announcement delighted charity fund managers, who have long campaigned for relaxation of the 1961 Trustee Investments Act, which requires charities to maintain a 50-50 split between investments in equities and gilts.

"This is fantastic news for charities," said Mr Martyn Bensley, head of the charities division at Fleming Investment Management. He said charities stood to gain "substantially" from the change.

According to Flemings, a charity that invested £2m in 1961 would have turned its initial £1m in equities into £15m by the start of last year, while its £1m in gilts would have been worth only £706,000.

Mr Major also said restrictions on the sale of alcohol on Sundays are to be amended in line with last year's relaxation of Sunday trading regulations, allowing public houses and supermarkets to sell alocohol from 10am to 10.30pm.

The deregulation act will be used to reduce controls on a number of areas including greyhound betting, parking control equipment. It will also aim to curb "excessive" demands for information in the consumer credit industry.

Mr Major said that all laws affecting businesses were being reviewed in line with the act to require enforcement agencies to provide greater information about demands.

UK carmaker's sales at highest level for four years, with further output rise forecast

Export demand boosts Rover sales

By Kevin Done, Motor Industry Correspondent

Rover Group, the leading UK carmaker, increased its retail vehicle sales worldwide by 11 per cent last year to 475,513, the highest level since 1990.

Production of Rover and Land Rover models increased 16 per cent to 478,572, helped by strong demand in export markets. Output is forecast to rise further this year to more than 520,000.

Sales in markets outside the UK rose 22 per cent to 219,300 and accounted for 46 per cent of the group's total sales volume last year.

The group, a subsidiary of BMW of Germany, achieved record sales last year in France, Spain, Italy, the US and Japan.

It is seeking to reduce its dependence on the UK market, where sales rose just 3 per cent last year to 256,200.

The increase in the group's sales was led by the Land Rover division, which raised sales of its four-wheel-drive vehicles by 22.5 per cent to a record 90,079. Sales of Rover cars rose 8 per cent to 385,400.

Land Rover increased its sales in the US by 145.5 per cent to 12,045 last year following the American launch of the Discovery, its mid-range sport/utility vehicle.

Mr John Towers, Rover group chief executive, said yesterday that Land Rover sales in the US could exceed 20,000 this year, helped by the new generation Range Rover, the group's luxury sport/utility vehicle, which was launched in Europe late last year.

Land Rover output increased 39 per cent to a record 94,500, while production of Rover cars rose by 12 per cent to 384,100. At present levels of production the output of Land Rovers is set to rise steeply again this year to about 120,000.

The Rover group remains weak in Germany, but it is investing heavily to improve its sales and distribution network supported by BMW.

Rover is at present engaged in a five-year, £1.5bn investment programme for the development of new models.

The renewal of its car range includes the launch this year of replacements for the existing Rover 200/400 range as well as the revival of the MG sports car marque with the introduction of an affordable two-seater sports car.

It is also working on the development of a new range of smaller Land Rover four-wheel-drive vehicles for launch in the late 1990s, which are cheaper than its Range Rover and Discovery ranges and are designed to appeal to younger car buyers.

Regions sought to test gas market

By David Lascelles, Resources Editor

The British government is seeking suggestions for which UK regions might become test areas for liberalisation of the domestic gas market.

The first region selected would be opened to full competition from April 1996. A second region would be added a year later, and national competition would begin in 1998.

Mr Tim Eggar, the energy minister, said yesterday that the experiments would be important steps in the proposed move to an open market.

According to a consultation document released yesterday, the first region would have to have up to 500,000 premises consuming less than 2,500 therms of gas a year. The second would have up to 2m such premises.

One of the main aims of the test is to see whether competition can deliver the promised reduction in domestic gas prices. Another is to determine how much the cost of transporting gas to outlying areas will affect consumer prices.

Because of this, the first area selected is widely expected to be in the south-west of England, far from the North Sea gas landing points.

Mr Eggar listed a number of possible areas, including Humberside and North Yorkshire, Kent, Somerset, Cornwall and Devon, Staffordshire and Warwickshire, Glamorgan, Tyne and Wear, Durham, and parts of Scotland.

Winning architects Jacques Herzog (left) and Christine Binswanger at the Bankside site yesterday Ashley Ashwood

Tate Gallery picks Swiss architects

The Swiss architects Herzog & de Meuron have been chosen to design the proposed Tate Gallery of Modern Art in the former Bankside power station by the River Thames in central London, Anthony Thorncroft writes.

The power station was designed in 1947 by Sir Giles Gilbert Scott and decommissioned in 1981. It is to be converted into 120,000 sq ft of gallery space, roughly the same amount as the Tate's Millbank site, while preserving most of the outside features of the building.

Announcing the decision yesterday, Mr Nick Serota, director of the Tate, said Herzog & de Meuron "designed buildings that people enjoyed using. They have a way of working with materials that is not at all precious. We went for their total approach, not one design feature."

The Trustees of the Tate Gallery chose Herzog & de Meuron as architects for the project rather than to put into place an agreed scheme.

The cost of the conversion is estimated at £40m, but the total cost of the development, including fees and the acquisition of land, is closer to £100m. The Tate plans to raise some money from private sources and the rest from the National Lottery-funded Millennium Commission.

The aim is to open the new museum, the first major site in the UK devoted to the display of modern and contemporary art, in the year 2000 and to attract 2m visitors a year. The Tate Gallery along the Thames at Millbank will continue as a museum of British art. Herzog & de Meuron was formed in 1978. Among recent work are the design of the Goetz gallery of contemporary art in Munich, Ricola Europe's new factory at Mulhouse, and the railway engine depot and signal box at Basel, which won the 1994 Swiss national architectural award. The firm was the unanimous choice of the Tate Trustees from a competition involving 150 architects.

UK NEWS DIGEST

Soldier's case prompts review of law

The British government is to review the country's law of murder because of concerns over the case of Private Lee Clegg, a British soldier convicted of murdering a joyrider in Belfast, Northern Ireland, Mr Michael Howard, the UK home secretary, announced yesterday.

Mr Howard pledged the review after the five Law Lords who dismissed Pte Clegg's appeal last week expressed concern about the legal definitions of murder and the mandatory life sentence that accompanies conviction.

Lord Lloyd of Berwick said the arguments in favour of a change in the law to allow a conviction for manslaughter instead of murder had "never been expressed more persuasively or with greater insight" than by the Northern Ireland Appeal Court in Clegg's case.

Mr John Major yesterday responded to mounting pressure at Westminster for Pte Clegg's release by calling for any fresh evidence casting doubt on his conviction to be passed to Sir Patrick Mayhew, Northern Ireland secretary.

Pte Clegg was one of eight soldiers who opened fire when a stolen car sped through an army roadblock. Campaigners for his release say there is fresh evidence that he did not fire the fatal bullet.

Emphasising that it was not for ministers to comment on the actions of the courts, the prime minister told MPs that Sir Patrick would decide whether any new evidence warranted being referred to the Court of Appeal and said the process by which convicted murderers can be released on licence would be undertaken "with due care".
David Owen at Westminster and John Murray Brown, Dublin

Isle of Man changes law on trusts

The Isle of Man, which has its own laws while being technically part of the UK, expects to attract more offshore trusts with legislation designed to help those wishing to circumvent inheritance laws in their own countries.

Placing assets in trust for heirs dates back to medieval times and in common law countries, such as the UK, people are legally free to dispose of assets as they see fit. But many civil law countries do not recognise trusts as valid or have laws that specify which member of the family is legally entitled to inherit.

The new Manx Trust Bill, introduced to its parliament on Monday, will enable those from civil law countries to legally pass assets to a person not designated as heir under local laws.

Following implementation of the law no Manx trust could be invalidated by application of foreign law. *Sue Stuart, Douglas*

Labour peers to fight over pension reform

Labour members of the House of Lords yesterday pledged to introduce a range of amendments to the government's planned legislation to reform occupational pensions, arguing that ministers had failed to deliver their promise to reform the industry after the Maxwell pensions scandal.

In particular, clauses on member trustees and a so-called minimum solvency requirement are singled out as an insufficient bulwark against the loss of benefits.

Separately, Lord Haskell, speaking in the House of Lords, said he will introduce an amendment to the bill which will require those who invest pension assets to vote on every issue for which shareholders are asked to express a view. Lord Haskell cited statistics from ProShare, an organization which promotes individual share ownership, showing that no more than 15 percent of shares are voted at company meetings.
James Blitz, Westminster, and Norma Cohen

Porsche in Lamborghini tie-up

Porsche Cars Great Britain yesterday launched a subsidiary selling Lamborghini "supercars" as its first step of a strategy to broaden its sales activities outside the luxury sports cars produced by its German parent company.

Lamborghini Great Britain went into business yesterday in part of Porsche's Reading, Berkshire, headquarters following the purchase of the UK import concession by Porsche Cars (GB) just before Christmas. The concession was previously operated by the Windsor, Berkshire-based Portman Group.

Mr Kevin Gaskell, Porsche Cars (GB)'s managing director, said sales could exceed 100 units a year if Lamborghini's plans to widen its model range to include cars cheaper than the current 200mph Diablo – cost £160,000 ($254,400)-plus – are fulfilled.

Porsche at one time was also negotiating for the importership of Daewoo, the South Korean volume carmaker which plans to start selling its cars in the UK this spring. However, Daewoo has decided to build its own, wholly owned sales network. *John Griffiths, London*

Drugs body 'to aid inward investment'

Many pharmaceuticals companies may establish head offices in the UK, or locate there for the first time, now that the European Medicines Evaluation Agency has opened in London, Mr Strachan Hepple, EMEA's British chairman, said yesterday.

The EMEA, a European Union body, will be inaugurated by Mrs Virginia Bottomley, the Health Secretary, tomorrow. Based in London's docklands, it will take over licensing of innovative drugs, including biotechnology products, from the national regulatory bodies of EU member states.

Mrs Bottomley is to visit Japan in March as part of a delegation including Sir Richard Sykes, chief executive of the drugs company Glaxo, to encourage Japanese pharmaceuticals companies to invest in the UK.
Simon Kuper, London

Construction orders fall

New orders in the British construction industry fell by a provisional, seasonally adjusted 6 per cent in the three months to November 1994, the Department of the Environment said yesterday.

But it said order levels in the 12 months to November were higher than in the previous 12 months in all sectors except public housing and infrastructure projects. In current prices the total value of new orders in November was £1.586bn ($2.52bn). *Reuter*

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BUSINESS AND THE ENVIRONMENT

The call of the wild

The US federal government's recent release of four pairs of wolves in Yellowstone National Park and central Idaho has set off a bitter dispute between ranchers and ecologists. Their release is the first phase in a government programme to reintroduce wolves to the American west.

Federal biologists, who intend to release more of the species over the next few years, hope the animals, captured in the Canadian wild, will breed and create a stable population. If all goes as planned, the grey wolf will be taken off the US endangered species list by 2002. This would mean 100 wolves in each of the Yellowstone, Montana and central Idaho regions.

But ranchers fear for their livestock. They also believe the reintroduction of the species could lead to restriction of land use under the Endangered Species Act.

"We could have our grazing rights taken away by people trying to protect the wolves' habitat," says Wyoming rancher Regan Smith.

When ranchers settled wolves' hunting areas the government paid hunters a set price for every wolf they killed. The wolves had died out in the American west by the 1930s.

The wolf release is the culmination of 20 years of ecologists' lobbying to redress the environmental sins of the past.

In an attempt to allay ranchers' fears, the government will allow ranchers to kill wolves caught attacking livestock. A private environmental organisation, the Defenders of Wildlife, will also compensate ranchers for losses. The wolves are electronically tagged by radio collars.

But ranchers are unhappy that both programmes require them to show evidence of an attack, such as dead livestock. Farmers add that if they mistakenly kill a wolf, with poison left out for a coyote, for instance, they can be taken to court. The maximum sentence for killing an endangered animal is $100,000 or one year in prison.

Victoria Griffith

Finding a way to dispose of the world's scrap tyres is perplexing governments, writes **Haig Simonian**

Spinning out of control

Ever since John Boyd Dunlop invented the first practical pneumatic tyre in 1888, travellers from as far afield as Bangkok and Birmingham have enjoyed safer and more comfortable journeys.

But the durability of Dunlop's discovery is also a drawback. The resilience which is a primary safety feature of today's tyres is becoming an environmental nightmare. The sophisticated polymers and steel bracings in modern tyres are almost indestructible. So while they can withstand high-speed hammerings on the world's highways, they are immensely hard to dispose of once their motoring lives are over.

Scrap tyres can be found littering roadsides, floating off coasts, or spreading noxious fumes in the air when burned. So severe has the problem become that the European Commission identified tyres in 1991 as the first of the "priority waste streams" on which to take action.

Western Europe alone produces about 200m tyres a year. Add another 237m for the US and 140m for Japan and the scale of the problem comes into perspective.

Ideas for dealing with scrap tyres vary from jewellery – one Japanese manufacturer's light-hearted solution – to mixing with concrete to form offshore barriers against coastal erosion. Yet no matter how inventive the ideas, such responses can only deal with a tiny fraction of the scrap produced each year.

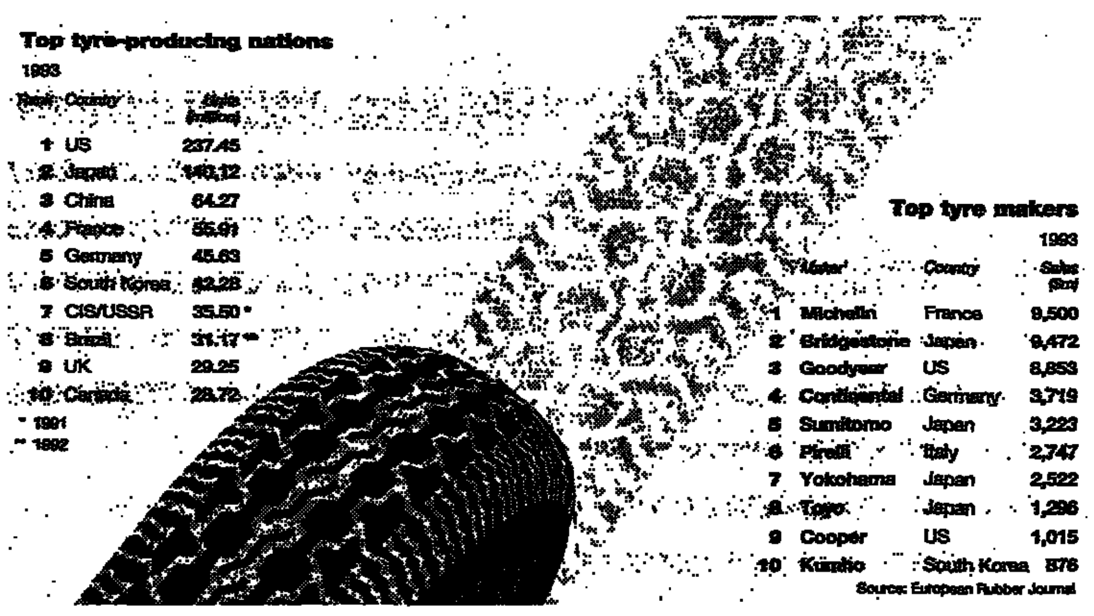
Larger scale applications are limited to three options: retreading; grinding into crumbs or powder; or incineration. All three have benefits, but also drawbacks.

However, the need to develop each application – and devise others – is rising. World tyre production shows no sign of diminishing. Meanwhile, many countries are tightening their legislation on landfill dumping – the traditional destination for most scrap tyres.

Municipal tips in Germany are now forbidden from dumping tyres. If they take them at all, it is only for a fee prior to sending on to a specialist user, says Reiner Stark, who handles quality and the environment for Continental, Germany's leading tyre producer.

Even firmer measures are promised in Germany's planned law on used vehicles, now in its third draft. The legislation will make tyre makers responsible for scrap whenever a motorist buys replacements. That will entail bearing the costs of collection from dealers and disposal.

In the UK, new storage of scrap tyres above ground was prohibited some years ago because of potential fire and environmental risks. The Department of the Environment has also advised landfill sites to limit the proportion of scrap tyres to 5 per cent of their volume for risk of instability and pollution through leaching.



Top tyre-producing nations

1993

Rank	Country	Units (million)
1	US	237.45
2	Japan	140.12
3	China	64.27
4	France	55.91
5	Germany	45.63
6	South Korea	32.28
7	CIS/USSR	35.50 *
8	Brazil	31.17 **
9	UK	29.25
10	Canada	28.72

* 1991
** 1992

Top tyre makers

1993

	Maker	Country	Sales ($m)
1	Michelin	France	9,500
2	Bridgestone	Japan	9,472
3	Goodyear	US	8,853
4	Continental	Germany	3,719
5	Sumitomo	Japan	3,223
6	Pirelli	Italy	2,747
7	Yokohama	Japan	2,522
8	Toyo	Japan	1,296
9	Cooper	US	1,015
10	Kumho	South Korea	876

Source: European Rubber Journal

New European Union proposals under the waste stream programme could be tougher still. According to a committee of experts assembled by the Commission, ambitious targets were proposed for recovery and recycling.

In late 1993, the committee put forward ideas to eliminate scrap tyres by ensuring that 25 per cent were retreaded. A further 65 per cent would be eliminated through recovery schemes such as recycling used materials and incineration to generate electricity.

The final 10 per cent would be removed by "prevention", said the committee. That meant asking manufacturers to develop longer lasting tyres by 2000 which would effectively cut the quantity of scrap being released each year.

To make sure the aims would be met, most members of the committee said the targets should be underpinned by a ban on landfilling whole tyres by 1996 and shredded ones by 2000.

The Commission has not yet published the findings as a recommendation which would be binding on all EU member states. Some government officials say the delay stems from wrangling in Brussels on whether the proposals should be beefed up as a full-scale directive, which would have to be enacted into national law.

Whatever the background, reaching the targets will require progress in all three of the leading applications for scrap tyres and the development of new uses.

● Retreading already accounts for about 50 per cent of used truck tyres in the UK, Italy and Germany. But the proportion of used car tyres is much lower, according to Maurizio Prete, head of the truck tyres division at Italy's Pirelli and a member of the EU committee.

Prete says private motorists' reluctance to use retreads stems from (largely) misplaced concerns about safety and pride in new car ownership. Truck tyres, admittedly built to last longer, are retreaded up to four times, he says.

Retreading also arouses mixed feelings among some manufacturers. The recession has slashed tyre demand as car production has shrunk. European manufacturers have also suffered from cheaper East European and Asian imports. Accordingly, some producers are unenthusiastic about their market eroding further through retreads.

● Crumbling also has its merits. Old tyres can be ground down into either crumbs or powder, which can be reconstituted into rubber matting or carpet underlay. However, the products are invariably "low tech" according to Stark, and demand is limited.

● Incineration, by contrast, is largely under-exploited. In Germany, scrap tyres are widely used to generate heat in cement kilns. However, the practice is something of an exception in Europe.

In the UK, Wolverhampton-based Elm Energy has set up a plant to burn tyres to generate electricity. The company's five incinerators are now working flat out to burn 100,000 tonnes of scrap tyres a year.

But there are sizeable obstacles to incineration. There is a limit to how many tyres can be absorbed in cement kilns. And electricity generation is still dependent on government subsidies.

Such problems mean a variety of new ideas are being canvassed to find other applications. Some tyre companies are promoting retreading. "Retreadability is a very important commercial consideration for truck tyres," says Prete. "Even customers who don't plan to retread their tyres are interested, as it reflects a tyre's inherent durability. So all the big manufacturers put some stress on it."

Others are researching ways to improve the suitability of tyres for incineration. "We are studying materials which either burn well or which don't create environmental damage if incinerated," says Renato Caretta, Pirelli's head of research and development.

Companies are also looking at newer applications. In France, Michelin, the world's biggest tyre producer, has pioneered the use of rubber powder from scrap tyres for mixing with bitumen in road surfaces. Michelin says that using rubber can improve grip, cut noise and spray and create a more durable surface.

Even the British government, which had previously dismissed rubber in roads on cost grounds, is having second thoughts. The Department of Trade and Industry is discussing the possibility of further research with the Highways Commission, which is responsible for roads.

Failing the discovery of enough additional uses, some producers are trying to take the sting out of the environmental issue by assuming more responsibility for scrap. Continental has tried to pre-empt likely new legislation by creating a subsidiary, Reifen Entsorgungs Gesellschaft, to collect used tyres and ensure their environmentally acceptable disposal. REG now handles 120,000 tonnes of scrap a year.

Other European producers are moving in the same direction, either independently or under government prompting. The UK government, for example, has put the onus on manufacturers through its "producer responsibility" policy.

In Italy, a consortium of big tyre manufacturers set up Ecopneus late last year to examine uses for scrap tyres. Progress so far has been limited to two incineration schemes to raise steam for curing retreads at Pirelli plants.

However, the group hopes to promote the use of scrap tyres in cement kilns next year, with projects at two big plants. "We hope to create enough initiatives to cover all Italy's needs in three years," says Prete. A similar initiative is under way in France.

Failing the discovery of adequate uses for the scrap, manufacturers will have to concentrate their research on cutting the number of used tyres being dumped each year. That means developing products which will last longer, as well having less friction to save on fuel consumption.

Banks' green risks

Four-fifths of the world's leading commercial and investment banks perform some degree of environmental financial risk assessment of borrowers before agreeing to lend them money. But fewer than half of them build environmental liability into their loan contract terms or monitor risks after they commit funding.

This emerges from a survey conducted by Salomon Brothers, the Wall Street investment firm, and the United Nations Environment Programme.

The survey also highlights a sharp contrast between growing environmental risk awareness in the lending market and its virtual absence from the equity market. The survey concludes that "environmental issues presently appear to play little role when it comes to equity financing."

Yet the great majority of the 90 international banks polled believe that environmental pressures are growing, and that environmental factors will feature increasingly in their financing activities. They also see the financing of environment-related businesses as a growth area.

Moctar Fall, director of international capital markets at Salomon Brothers, says: "The research clearly shows there are numerous opportunities for financial institutions like ours. It might involve direct investments in emerging environmentally related firms or technologies or take the shape of joint ventures and activities between our firm and the various multilateral development banks."

The survey recommends that national governments and international agencies help to develop global guidelines and regulations that would simplify bankers' approaches to cross-border transactions, and help create a more level international playing field.

David Lascelles

Available free from Scott Vaughan, UNEP, Trade and Environment Office, 15 Chemin des Anemones, CH-1219 Chatelaine, Geneva, Switzerland.

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FINANCIAL TIMES SURVEY

MERCOSUR

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At a Mercosur meeting in Brasilia this month, Brazil's new president, Fernando Henrique Cardoso, is congratulated by (from left): Juan Carlos Wasmosy of Paraguay, Carlos Menem of Argentina, Eduardo Frei of Chile, Bolivia's Gonzalo Sánchez de Lozada and Luis Lacalle of Uruguay

Customs can be changed

Angus Foster looks at the likely impact of the developing world's new free trade area, in operation from the start of this month

South America's Mercosur trade area has grown quickly from a politician's pipedream five years ago into the developing world's most important customs union.

After the mad rush to get the union ready for the January 1 1995 starting date, the member states of Argentina, Brazil, Paraguay and Uruguay now face the slow plod of deepening the ties which link them.

The four countries did not achieve everything they had hoped. By the time the final documents were signed in the Brazilian colonial town of Ouro Preto in mid-December, officials were referring to Mercosur as an "imperfect" customs union. It had not proved possible to reach agreement on the sensitive sectors of cars and sugar. Other industries, such as capital goods and telecommunications equipment, were allowed extra time to comply with the rules.

As a result, only about 90 per cent of trade between the four countries is now free. For the remaining 10 per cent of trade, covering such products as Argentine paper and Brazilian peaches, tariffs will continue to fall to reach zero by the year 2000.

The common external tariff (CET), which is levied on all imports coming into the area from non-Mercosur countries, is also not yet fully in place. About 80 per cent of products are already covered by the CET, which ranges from 0-20 per cent with an average of 14 per cent. The remainder, mainly products which member governments felt needed more time to prepare for foreign competition, will keep their domestic tariffs for a bit longer, although most will have converged with the CET by 2001.

Despite these imperfections, Mercosur has already surpassed the most optimistic of early expectations when it was first mooted in 1986. Perhaps its greatest achievement has been to show businessmen and governments in the two main countries, Brazil and Argentina, that their economies are remarkably compatible. Decades of hostility and protectionism have been replaced by genuinely warm relations, especially as Brazil's economic recovery has gathered pace.

The gradual opening of the two economies would have happened with or without Mercosur, and is rooted in their return to democracy in the 1980s and the obvious bankruptcy of state-led import substitution development. But the opening would not have been so quick without Mercosur, which led to falling tariffs from 1991 and prompted a growing number of companies to set up businesses across borders.

Trade between the four partners is estimated to have reached $10bn last year, compared to just $3.6bn in 1990. Brazil, which dwarfs even the combined exports and GDP of the other three countries, saw its exports to Mercosur rise from 4 per cent of total exports in 1990 to 14 per cent in 1993. As a sign of the potential for further growth, exports to Mercosur still only accounted for about half of Brazil's exports to the European Union, its most important market.

This growth was started by exports from Brazil's light and heavy industry sectors, easily Latin America's most productive, and balanced by Argentine sales of raw materials and agricultural produce, where it enjoys considerable productivity advantages in terms of superior soil and labour quality.

In the past two or three years, there has been an apparently sharp increase in direct investment, mainly from Brazil, although statistics are unreliable. Brazil's biggest brewer, Brahma, found its beer exports to Argentina were doing so well it built a factory. Quilmes, which dominates the Argentine beer market, is thought to be ready to counter-attack by exporting to Brazil.

More recently, service companies have also started looking at cross-border investments. Banco Itaú, Brazil's second biggest private sector bank, has opened its first full branch in Buenos Aires and plans to open 35 more branches throughout Argentina in the next two years.

In spite of these advances, companies complain that obstacles to further integration can be removed only by the four governments. Although there has been progress in cutting bureaucracy, some ministries – especially in Brazil – remain hostile to imports.

At the borders, there was predictable chaos when the new rules came into effect on January 1. All the governments need to invest in staff training and improved customs procedures, which will take time to implement.

Infrastructure links between the countries are also poor following decades of under-investment. About 60 per cent of trade is carried by road, mainly because the Argentine and Brazilian rail systems use different gauges. Moreover, river links are poor and sea transport is extremely expensive.

Despite this reliance on road transport, road quality is often erratic, especially outside Argentina. Most trade between Argentina and Brazil is funnelled across a single bridge between the towns of Paso de los Libres and Uruguaiana. Much of this trade still has to switch lorries at the border because drivers have difficulty getting permission to drive in both countries.

"The problem is that trade has exploded. Neither the governments nor the private sector expected Mercosur to work as quickly as it did, and there are now physical bottlenecks. There are not enough customs people at the border and there is a lack of transport infrastructure. It will take time," says Mr José Artur Denot Medeiros, Brazil's main Mercosur negotiator.

According to officials, the emphasis must now be on strengthening the ties between the four countries and the various Mercosur institutions. Executive power has consciously been kept with the four governments, rather than devolved to a European-style "commission". The four will continue to base policy decisions on consensus. This is easier than it may sound. Given that the combined GDP of Paraguay and Uruguay is less than 2 per cent of Mercosur's total, they have little room to disagree with compromises reached between Brazil and Argentina.

The governments have also decided to dispense with a powerful supranational court. Instead, disputes will be handled within Mercosur's existing trade commission and a complaints tribunal. Some private sector analysts are concerned about the strength of this system, especially since trade disputes are likely to increase now that most tariffs have been reduced to zero and safeguards have been outlawed.

Disputes are possible in a number of sectors, although they will probably be less serious if Brazil and Argentina maintain their present GDP growth rates of more than 5 per cent. Especially vulnerable sectors include Argentina's sugar industry which, if tariffs were brought to zero, could not compete with Brazil's low wage sugar producers. Likewise, Brazil's wine and temperate fruit sector is well behind Argentina's in terms of quality and productivity.

Meanwhile, Brazil's car unions are worried that jobs will go south as manufacturers are attracted by Argentine incentives, which will not be removed until a common vehicle policy is in place in 2000.

One growing source of tension is in the construction sector. Brazilian companies are winning tenders for work in Argentina because they can bus down much cheaper Brazilian construction workers and undercut Argentine pay levels.

These tensions will not be solved unless Mercosur becomes what its name – an acronym for Mercado Común del Sur – suggests is its target, a genuine common market implying the free circulation of labour and capital. The four governments may hope such a target is reachable in the long term, but they admit it makes little sense to debate the issue while their economies are of such different sizes and their economic policies so divergent.

In the nearer future, the partners must decide how best to develop Mercosur's international links. Good progress has been made with the EU, which is to begin negotiations with Mercosur in the first half of this year towards agreeing a special accord reducing trade barriers between the two customs unions.

Another priority is to continue talks with two South American countries, Chile and Bolivia, which are keen to join soon. Both want to join as free trade partners rather than members of the full customs union. This means they would not be bound by Mercosur's CET, and Chile would thereby be able to join Nafta as well.

Further ahead, Peru is interested in linking up, and this could be a way to tie into Mercosur as free trade members its fellow Andean pact countries of Bolivia, Colombia, Ecuador and Venezuela as well.

Although there are natural limits to how far Mercosur can extend – Caracas is closer to Miami than Buenos Aires – Mercosur will probably emerge as the main negotiating partner with Nafta for the proposed continent-wide free trade area by 2005. Progress on this proposal is likely to be linked to how quickly new members join Mercosur as free trade partners, and by how quickly relations between the US and Brazil, the two giants, continue to improve.

Stephen Fidler looks at the economic prospects for the new customs union

Strategies call for strong currency

Though Mercosur's launch at the beginning of the year was overshadowed by Mexico's financial crisis, it is the new customs union that may prove to have greater long-term importance.

At the moment, however, economic policymakers in the two main Mercosur countries – Brazil and Argentina – are struggling to distance themselves from the Mexican problem.

Even though most analyses suggest the differences between the two economies and Mexico are significant – especially in the case of Brazil – both Brazil and Argentina have national currencies widely considered to be overvalued.

A strong currency is a central element of both countries' anti-inflation strategies, as it was in Mexico's. The survival of these strategies will be the key to the near-term economic prospects for Mercosur.

Argentina's current inflation programme dates from 1991, and the convertibility law that came into force on April 1 that year. That established a currency board system for Argentina, tying its currency to the dollar and allowing the central bank only to print money that was backed by foreign reserves.

For almost three years, the strong peso was an important source of trade friction with Brazil, whose economy suffered hyperinflation and whose currency was being devalued rapidly to keep it competitive.

Brazil's exports to Argentina grew sharply and Argentina's ensuing bilateral trade deficit was offset only by government-to-government deals – such as Brazilian oil purchases from Argentina.

Last year, that changed as the Brazilian government – with the current president Fernando Henrique Cardoso as finance minister – embarked on an anti-inflation plan which created a new currency, the Real, aimed at excising indexation from the economy. The effect of the plan has been an appreciation of the Real – by some 40 per cent in real terms against the peso in just five months – and an improvement of Argentine export performance in Brazil.

In coming months, this will lead to a worsening of Brazil's trade and current account position and – to the extent that deterioration leads to downward pressure on the Real – renewed inflationary pressures. For the medium term, the success of the plan will depend on the passage of legislation – including constitutional changes – that will allow the federal government to attain long-term fiscal balance.

The priority of the Argentine administration of Mr Carlos Menem will be to preserve the convertibility law ahead of May's presidential elections and in the face of last year's current account deficit of some $11bn, around 4 per cent of GDP (compared with Mexico's $28bn and 8 per cent of GDP).

Its strategy so far has been to tighten fiscal policy by cutting back on government spending, and deepening the currency board arrangement to the extent that outright dollarisation of the Argentine economy has been raised as a possibility. Most economists have downgraded expectations for growth this year.

Prospects for Mercosur's smaller economies – Paraguay and particularly Uruguay – are linked to what happens to their larger neighbours.

According to the London economic consultancy group, Consensus Economics, the following are the countries' key economic statistics, along with consensus estimates for 1994 economic performance:

- **Brazil.**
  1993: GDP $456bn; population 159.2m; GDP per head $2,864. 1994: expected inflation 1,048 per cent; growth 4.4 per cent.
- **Argentina.**
  1993: GDP $255.3bn; population 33.5m; GDP per head $7,621. 1994: expected inflation: 3.8 per cent; growth 6.0 per cent.
- **Uruguay.**
  1992: GDP $13.1bn. 1993: population 3.2m. 1994: expected inflation 41.2 per cent; growth 2.0 per cent.
- **Paraguay.**
  1992: GDP $6.4bn. 1993: population 4.6m. 1994: expected inflation 20.5 per cent; growth 3.6 per cent.

David Pilling *examines the trade pact's expansion plans*

The Gatt-plus principle

Even before Mercosur formally came into being, plans were already under way for its expansion.

Ambitious – some might even argue utopian – goals have been sketched out for the conclusion of free trade accords with other Latin American countries, with the tripartite North American Free *Trade Agreement (Nafta), and* even with the European Union.

According to Mr Alejandro Mayoral, Argentina's undersecretary for political economy, Mercosur works on the principle of what he calls "Gatt-plus" – that is an open free trade bloc prepared to extend commercial privileges to other like-minded groupings in order to progress beyond Gatt-dictated norms.

The first stage in Mercosur's drive towards freer trade will be conducted across the Andes with Chile and Bolivia, both of which want to become associate members.

The two countries already have preferential trade accords with individual Mercosur states, but these are due to expire on June 30. By this date – negotiating under the so-called four-plus-one format – Mercosur intends to replace individual agreements with a joint accord, with the aim of creating an expanded free trade zone by the turn of the century.

Chile, which for years regarded Mercosur with suspicion, has recently decided that it cannot afford to lose preferential market access to Brazil and Argentina, its third and fourth largest trading partners respectively.

However, neither can Chile become a full member, given that its uniform external tariff *of 11 per cent (the product of* years as a free trade pioneer) is incompatible with Mercosur's variable and higher tariffs.

There have been objections within Mercosur, most notably from Uruguay, to the extension of "associate" membership benefits to Chile without demanding sacrifices in the form of tariff adjustments. But these will probably be overruled and Mercosur will extend a more flexible attitude towards Chile – described by one diplomat as "the cherry on the top of the cake" – for two main reasons.

Perhaps the most compelling is Chile's 3,000-mile Pacific coastline and its resulting *strong trade links with Asia.* Mercosur states, which have failed to develop satisfactory commercial ties with the Pacific rim, see Chile as their logical gateway to rapidly growing Asian markets. To underline the point, Chile is the only South American member of the Asia-Pacific Economic Forum (Apec).

The second reason is that Chile's economic reform process is more firmly established than other Mercosur states, which hope to sharpen their free trade credentials by their association with the recognised regional leader in this field.

"Mercosur without Chile would seem like it was missing *something," says Mr Carlos* Jiménez Meza, first secretary at the Paraguayan embassy in Buenos Aires. "We need Chile because of the seriousness of its economic model."

After Chile and Bolivia – the latter attractive largely for its rich energy resources – further "second generation agreements" with South American countries should be a relatively smooth process, officials say. Ecuador, Peru and Colombia would be likely candidates for this stage.

But thereafter, Mercosur's expansionist path becomes less clearly defined. Officials admit that an agreement with Mexico – Latin America's second-*largest economy after Brazil* – may be more difficult. When Mexico joined Nafta, it granted trading concessions to the US and Canada that are denied to *its Latin counterparts.* Mercosur has already warned that, before any accord is reached with Mexico, it expects compensation.

Agreement with the US itself – whether bilaterally or within the Nafta framework – depends greatly on US political assessment of Nafta. Its enthusiasm for free trade pacts with Latin American states is likely to have been dampened by Mexico's latest financial crisis.

However, officials believe that continental integration will overcome relatively short-term considerations.

"We *already have a* framework agreement with the US to talk about the harmonisation of the rules governing trade of products and services, as well as other issues such as intellectual property rights," says Mr Jorge Hugo Herrera Vegas, under-secretary of integration at Argentina's foreign ministry. "But it's going to be a long process."

Mr Mayoral believes that the idea of Mercosur's gradual expansion is "absolutely compatible" with plans for a hemispheric free trade area from Alaska to Tierra del Fuego. At last December's Summit of the Americas in *Miami* it was agreed that rules for the Free Trade Area of the Americas should be hammered out by 2005. "They are two pieces of the same jigsaw *puzzle,"* says Mr Mayoral.

As well as hoping to extend free trade throughout the continent, Mercosur officials also wish to seal an agreement with the European Union. More than a quarter of Mercosur trade is conducted with European partners, many *of which have big investments* in Latin America, especially in the privatised telecommunications and energy sectors.

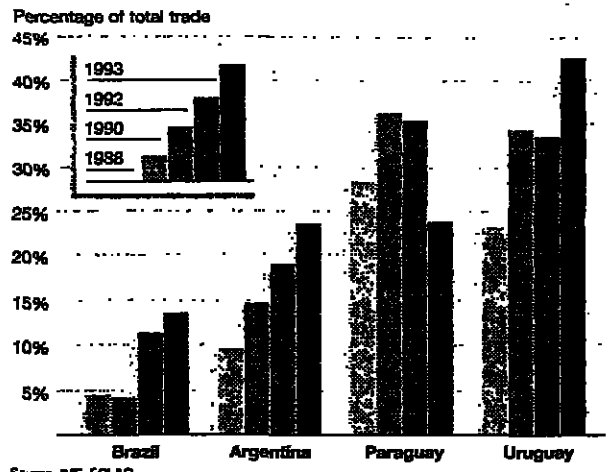
Initial talks with Europe are slated to start later in 1995, following passage last year of a European directive authorising *negotiations. Most* controversial are likely to be the discussions over European agricultural subsidies.

"We want to use our greater bargaining power within Mercosur to gain better access for our products by allowing the Europeans greater access to our markets," says Mr Herrera Vegas. Argentina, the great agricultural powerhouse of the region, hopes to use Brazil's 150m consumers to tempt Europe into importing more Argentine wheat, meat and vegetable oils. This, says Mr Herrera, is the "leverage" that Mercosur provides its individual members.

Such grandiose plans strike some observers as far-fetched, but defenders of Mercosur say its progress has been in complete contrast to Latin America's old-style declarations of regional solidarity. "We have gone far faster than we ever dreamt," says one official.

Mr Mayoral believes that Mercosur will grow as quickly or as slowly as reality dictates. "We will wear the suit that *fits," he says.* "If we get bigger, we will tailor a new suit."

Intra-Mercosur exports



Source: IMF, ECLAC

An inadequate cross-border infrastructure has had to cope with soaring trade, reports **Patrick McCurry**

Roads still on drawing boards

Trade within Mercosur has soared in the 1990s, but earlier decades of protectionism in the region have left a neglected and inadequate cross-border infrastructure. For companies the result is high transport costs, bureaucracy and border delays.

Gradual progress has been made recently, including more rail links and the partial development of inland waterways, although trains and barges still carry a tiny proportion of regional trade. There has also been some simplification of customs procedures.

But for many longer-term improvements the financially-troubled governments will have to involve the private sector by contracting out services, say transport specialists. This trend is likely to be helped by the recent election in Brazil of Mr *Fernando Henrique Cardoso,* whose government will probably push for more privatisation and deregulation.

"There are a lot of good projects out there for new roads, bridges and railway developments but the money has to be found," says Mr Benedito Guidolin, a São Paulo trade specialist.

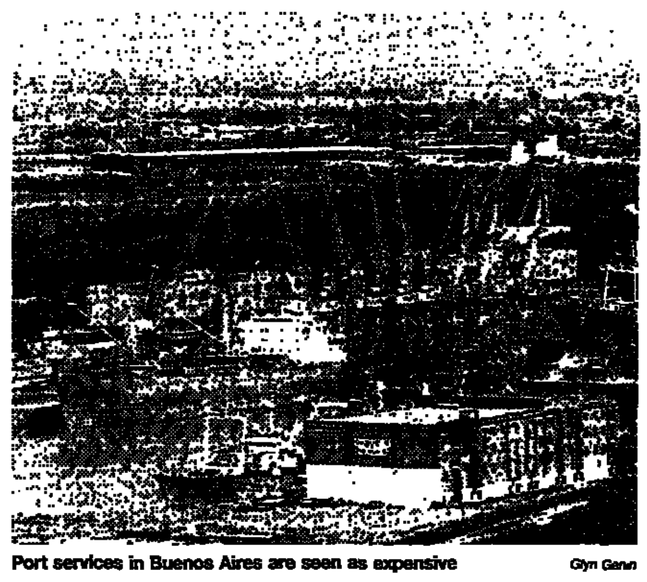
He stresses that investment in roads, which carry about 60 per cent of Mercosur's trade, is essential to cope with growing demands. Such trade increased to $8.5bn in 1993 from $3.6bn in 1990. About 700 lorries a day cross between Brazil and Argentina, mainly at the Uruguaiana border point.

Brazil's roads, mainly two-lane highways, are often badly maintained, with potholes, inadequate sign-posting and a lack of hard shoulders. On the Argentine side of the border roads are often operated by the private sector and well maintained, says Mr Marcus França Torres, a freight company director and transport committee co-ordinator at the São Paulo Federation of Industry (Fiesp).

The contracting out of motorway operations and maintenance has not yet made much progress in Brazil, partly because of the lack of a legal framework. But the expected congressional approval this year of a "concessions law", originally sponsored by Mr Cardoso while a senator, could speed up the process. The law *would lay down criteria on* charges and concession terms for the operation of public services.

There are plans to expand Mercosur's road infrastructure but most schemes are still on the drawing board. Mr Cardoso is believed to back plans for a new private sector financed toll motorway linking São Paulo and Buenos Aires, Mercosur's main consumer markets and industrial centres.

The 2,500km journey between São Paulo and Buenos Aires currently costs about $2,500 a lorry while a similar distance within Brazil costs $1,500, according to Mr Guidolin. This price difference is due in part to more expensive labour and fuel costs in Argentina but mainly to border bureaucracy and delays. For example, Brazilian legislation obliges lorry drivers to pay independent customs brokers, known as *despachantes*, to check and correct paperwork and liaise with officials. The fee is about $200 a lorry.



Port services in Buenos Aires are seen as expensive *Glyn Genin*

Although the *despachantes* remain, some bureaucracy has been reduced under Mercosur. Instead of inspections by both countries' officials, an integrated system is being introduced. At Uruguaiana this has helped reduce delays for lorries to about three days from five days, says Mr Torres of Fiesp.

Delays are reduced to about 24 hours, he says, if the same lorry is continuing across the border with a customs transit declaration (DTA), a system that has been operating for four years. The DTA means cargo is not inspected at the frontier but at a customs terminal near the point of departure, where it is sealed and then inspected at a terminal near the destination.

But according to Brazil's transport ministry, which says lorries with a DTA should take just four hours to cross the border, only about 15 per cent of lorries to Argentina use DTAs because most of the cargo to the border is carried by self-employed lorry drivers, hired by freight companies on a job-by-job basis. Unless these independent drivers are officially affiliated to the freight company, they cannot cross the border because they do not have a company representative in the importing country. Another factor that has reduced demand for DTAs is the lack of customs terminals in the interior of Brazil.

With time, DTA use is likely to increase, believes Mr Guidolin. It will be spurred by increasing frontier congestion, more customs terminals near points of departure and closer links between independent drivers and freight companies.

Air transport represents 23 per cent of trade and is regarded as relatively efficient. But despite new cargo terminals and dry docks at airports, congestion is common and services are often affected by strikes.

Labour problems also often hit port services, which in Brazil, Argentina and Uruguay are regarded as expensive and inefficient by business people.

"Sea transport is cheap but the port costs, at $25 to $30 a ton for loading at Brazil's main port of Santos, are much higher than in Europe," says Mr Antônio José Pargana, a director at agricultural company Grupo Itamarati.

Moves by the Brazilian government to deregulate port services and introduce more private sector involvement have so far been slow to take effect.

Rail freight, which has grown to account for about 1 per cent of Mercosur trade, is expected to increase to 800,000 tons this year from 500,000 in 1994. From one freight train a week between São Paulo and Buenos Aires two years ago, the frequency has been increased to three. But a key problem is that the two countries have different-sized railway gauges and so cargo must be transferred between trains at the border.

Although the region's waterways carry less than 1 per cent of trade, there are plans to develop the Tieté and Paraná rivers. After new locks were recently completed, it is now possible for heavy barges to navigate from São Paulo to Itaipú at the border with Paraguay.

But there are problems that need to be overcome. For the waterway to continue onwards *to Buenos Aires, the huge* Itaipú hydro-electric dam will have to be circumnavigated, a major engineering task. Navigation of the Paraná-Paraguay waterway between Buenos Aires and Corumbá in Brazil is possible but the waterway passes through the Pantanal wetlands and navigation is restricted by the flooding and droughts that affect the area.

Mr Pargana of Itamarati believes that rail and waterways will be developed and infrastructure links improved in response to market forces. For example, it costs $65 a ton for Itamarati to transport goods between São Paulo and Buenos Aires by road and rail, compared to about $100 by road alone.

"Despite the current limitations, trade is growing and there is a lot of potential to reduce costs. It will take time but it will happen," he says.

David Pilling on the commercial links already established in the region

Business leads the way

While Mercosur's politicians have noisily tussled over the final details of the customs union, much of the business community has quietly gone about forging concrete commercial links. Since 1990, trade among the four partners has nearly tripled to an estimated $10bn last year, while the number of cross-border deals, joint ventures and direct investments has mushroomed.

Companies from Brazil and Chile – the latter expected to become an associate Mercosur member this year – have led the way, investing hundreds of millions of dollars in developing regional strategies. Argentine companies have been rather more flat-footed in terms of direct cross-border investment, but are now showing signs of thinking regionally, particularly in the food and energy sectors.

According to Mr Alejandro Mayoral, Argentina's undersecretary for political economy, "companies were not initially thinking specifically about Mercosur, but have responded to regional deregulation and the opening up of economies." Mercosur tends to "reinforce, not originate investment decisions," he says.

As trade and investment grows, the region is likely to undergo a profound productive reallocation as competitive advantages assert themselves at Mercosur level, Mr Mayoral says. In broad terms, Brazil should have a head start in mass industrial production and sophisticated technology, while Argentine advantages should make themselves felt in food and energy production. However, there are likely to be important and surprising exceptions with companies exploiting niche opportunities, he says.

The process has already begun. Over the past years, Brazilian companies have moved in on the Argentine market as protective tariff walls have been scaled down. Brahma, Brazil's leading brewer, which began to focus on the Argentine market from a plant in southern Brazil, has recently set up a factory in Buenos Aires. Quilmes, its Argentine counterpart which already has operations in Chile, is likely to hit back by pushing its way into the Brazilian market.

In 1993, Sadia, one of Brazil's largest food processors, took a 70 per cent stake in a joint venture with Argentine chicken producer Granja Tres Arroyos, forming Sadia Trading Sur to distribute Brazilian goods in Argentina. Sadia now hopes to complete the circle by distributing Argentine products in Brazil. It may also set up an Argentine meat-processing plant.

Argentina's food companies, potentially among the world's most competitive, are expected to take full advantage of Brazil's new-found stability and the consequent explosion of consumer demand. Because Argentina tackled hyperinflation in the early 1990s, unleashing pent-up demand for quality, well-packaged food products, analysts say its companies should now be well-positioned to supply Brazil with biscuits, chocolate, cheese and processed meats.

Argentina's rich soil gives it big advantages in wheat, milk and meat production. As a result, its food companies have found themselves the target of multinational takeovers, with Nabisco, Cadbury-Schweppes, Cargill, Danone and Parmalat making important recent acquisitions. Most see their Argentine purchases as a potential launching pad for exports to Brazil, while some companies such as Danone and Cargill already have well-established Brazilian operations.

Uruguayan dairy products company Conaprole, that country's biggest private group, is also eyeing up Brazil's market. Uruguay produces an annual 360 litres of milk per capita, but consumes only 230 litres, leaving plenty for exports. Brazilian milk consumption of only 86 litres per capita should grow rapidly if economic stability remains in place.

In the industrial sector, companies such as Autolatina, the holding company linking Volkswagen and Ford in Brazil and Argentina, have already grown accustomed to regarding Mercosur as a single market.

Although Ford and Volkswagen have decided to go their separate ways – a response to huge growth in car sales – Autolatina's regional strategy stood it in good stead for several years. For example, the company set up a factory in Córdoba, northern Argentina, to make transmissions for many of its Brazilian-built cars. Models were also standardised across the region, enabling factory specialisation and greater economies of scale.

Companies such as Brazil's Iochpe-Maxion have ridden in on the coat-tails of such changes. In order to supply a General Motors factory in northern Argentina, Iochpe set up its own Argentine plant for the production of auto-parts, chassis and diesel engines.

Chilean companies, especially in the energy sector, have shown equal vision. Chilectra, Chilgener and Endesa have poured hundreds of millions of dollars into Argentina's privatised companies, buying big stakes in gas and electricity utilities.

Using the experience gained in Chile, where privatisations came far earlier, these groups have been largely successful in turning round loss-making Argentine state enterprises which are now contributing significantly to the companies' overall profits. When Brazil's privatisation process gets under way, Chilean companies are likely to figure prominently among the bidders.

Chilean pension funds have also been active abroad, with Provida, Santa Maria and Habitat all participating in Argentina's nascent private pension system. Chilean companies in sectors as diverse as wood products, candy manufacture and publishing have made big trans-Andean investments.

Total Chilean investments in Argentina since 1990 are put at $3bn while the two countries, traditionally mistrustful neighbours, are now connected by an oil pipeline, soon to be followed by a gas link. "Ten years ago, that would have been unthinkable," says an Argentine diplomat.

Over the next few years, cross-border ties and regional trade are likely to build on recent increases, fuelled as much by Brazil's economic recovery as by the continued reduction of tariffs. The task of the Mercosur bloc will be to keep pace with the ambitions of its business community, facilitating necessary improvements in infrastructure, removing unwanted bureaucracy and efficiently settling the conflicts of interest that are bound to arise.

Mr Jorge Hugo Herrera Vegas, under-secretary of integration at Argentina's foreign ministry, is optimistic that both Mercosur's business community and its politicians are up to the challenge. "What the last years have shown is that, once you remove the barriers between neighbours, the potential for growth is fantastic," he says.

The task of the Mercosur bloc will be to keep pace with the ambitions of its business community, settling conflicts of interest that are bound to arise

Patrick McCurry on prospects for the automotive industry

Four nations = one market

The automotive industry, dominated by multinationals, has traditionally been one of Mercosur's most protected, but some companies have started looking at the region as one market rather than four.

Companies in Brazil and Argentina, which dominate the region's production, are likely to increase cross-border production of vehicles and sourcing of parts to achieve economies of scale, but free trade will not begin until 2000.

Brazil and Argentina failed to agree on a common vehicle regime at the Ouro Preto summit last year. Instead, they reached a separate transition agreement which gives companies until January 1 2000 to adapt to free trade within the customs union, a common external tariff, the elimination of quotas and subsidies and unified environmental rules.

Mr José Roberto Ferro, a São Paulo vehicle specialist, notes: "Argentina's auto sector is less efficient than Brazil's and is worried about a flood of imports from across the border, while Brazil is concerned about imports from overseas. Both countries have five years to create a more efficient, integrated industry that can survive in international terms."

Import quotas in Argentina and, until recently, very high import duties in Brazil have protected locally-based car makers from competition. But since the early 1990s production has soared and productivity in both countries has increased, though they are still behind world standards.

Growth was helped by agreements between governments, companies and unions in which taxes were reduced, wage claims limited and prices cut. The result, combined with economic growth and pent-up demand, has been a booming market. Brazil's production increased to nearly 1.6m units last year from 914,000 in 1990; during the same period Argentine production rose to around 400,000 from 100,000.

For that growth to be maintained, say specialists, productivity will have to be increased and that will partly depend on increased integration between the region's companies, which include Fiat, Renault, Peugeot, General Motors and Autolatina, the holding company for the operations of Volkswagen and Ford in Brazil and Argentina.

The basic content of Mercosur's "common automotive regime" is scheduled to be ready by June 1 1995 and the full text approved by the end of 1997.

Until 2000, there will be a transition period based on bilateral agreements between Brazil, Argentina and Uruguay. Paraguay does not produce cars.

Productivity among Argentina's car makers is about 10-20 per cent below Brazil's, according to Ms Maria Beatriz Nofal, a Buenos Aires vehicle consultant and former trade negotiator. This is due to a mix of factors including smaller production volumes and older plants. In spite of far lower wages, Brazil's vehicle industry is about 10 per cent less productive than Europe's, according to a study last year by consultants Booz Allen.

In spite of lower wages, Brazil's vehicle industry is about 10 per cent less productive than Europe's

To limit its trade deficit with Brazil in the sector, which reached about $375m in 1993, Argentina imposed vehicle import quotas in 1991. It also established a compensatory system in 1991 in which locally-based car makers benefited from reduced tariffs and taxes on imports of vehicles or parts, providing they exported the same value of goods.

Under the transition agreement, Argentina will still impose quotas on Brazilian vehicles, according to the Brazilian foreign ministry, although the agreement's wording is confusing and many in the industry are adamant that quotas on Brazilian vehicle imports have been eliminated. These quotas equalled about 10 per cent of local production last year. Argentina's quotas on imports from non-Mercosur countries, which were about the same, will be abolished from 2000.

For car parts imported from Brazil, Argentine companies will be allowed to run a 20 per cent trade deficit and still qualify for fiscal benefits, although this move is partly aimed at offsetting the 15 per cent overvaluation of Brazil's new Real currency.

The transition agreement also gives Argentina access to Brazil's "popular car" regime in which one-litre cars enjoy significant tax incentives, although currently Argentina does not produce such cars.

Under a transition agreement between Brazil and Uruguay, quotas between the two countries will continue. Uruguay, which assembles imported complete knockdown (CKD) kits, will have an export quota of 10,000 vehicles to Brazil in 1995.

Despite the postponement of a free trade area for the industry, integration is likely to continue. This has sparked fears from Brazil's autoparts association that a growing number of companies will transfer production to Argentina because of fiscal incentives and Argentina's compensatory regime.

A good example of this integration is the Toyota Motor Company, which is investing $100m in a new plant near Buenos Aires. Mr Alaor Jesse de Freitas of Toyota says most of the parts and components will be imported from Brazil. The plant will be making 20,000 pick-up trucks by 1997, of which about half will be exported to Brazil.

"Interchange of parts and vehicles will have to exist," says Mr de Freitas, who adds that without Mercosur Toyota would not be investing in Argentina.

Ms Elisabeth de Carvalhães, a government relations official at Autolatina, says car companies will probably standardise parts to gain from economies of scale. "The aim will be to produce one product, which is capable of supplying the whole region, in one factory."

In the short term Brazil's industry will have to increase productivity rapidly in the face of fierce competition from imports, which could increase to 400,000 this year from 150,000 in 1994, say manufacturers. The rise in imports is due largely to a reduction in import duty from 35 to 20 per cent last September combined with the overvaluation of the Real. Argentina, whose industry remains more protected, will have more time to adapt.

Whether the industries can become internationally competitive in the next five years could depend on prospects for the Real, which has helped stabilise the inflation-prone economy and increase consumer demand.

Ms Nofal says: "Brazil has one of the biggest markets in the developing world and if demand there can be maintained, investment will flow into modernisation and increased capacity. Without that investment, Mercosur can't reach world standards."

ENERGY RESOURCES: **David Pilling** on hydroelectric power plans

Shared policy takes shape

Some of the world's biggest hydroelectric systems straddle the borders separating Mercosur's four nations. Ever since 1938, when negotiations began between Buenos Aires and Montevideo to build a hydroelectric plant on the Uruguay river, the countries that now comprise Mercosur have fumbled towards a shared and rational energy policy.

The process has not exactly been rapid, although it has produced some concrete results. Salto Grande, a 1,890MW Argentine-Uruguayan hydroelectric plant, finally chugged into action in 1979, nearly 40 years after the initial agreement to build it. The even more ambitious Itaipú, a 12,600MW Brazilian-Paraguayan project on the Paraná river, was inaugurated in 1984, while only last September the first of 20 turbines was set spinning at Yacyretá, the 3,200MW plant on the stretch of the Paraná between Argentina and Paraguay.

Though hydroelectric power is the region's biggest potential source of energy – representing 52 per cent of energy resources, against only 11 per cent for hydrocarbons, according to Mercosur's energy subgroup – much remains untapped. Hydroelectricity meets only 30 per cent of Mercosur's energy needs, against 34 per cent for petroleum.

Neither has hydroelectricity always been exploited in the most cost-efficient manner. Yacyretá, which may end up costing $12bn, has been called a "monument to corruption" by President Carlos Menem of Argentina, referring to the manner in which project contracts were assigned.

Latin America has now begun to scale down state involvement in public works, and Argentina has recently announced its desire to sell off its stakes in Yacyretá and Salto Grande, a move that will have to be ratified by the parliaments of Paraguay and Uruguay respectively.

There are plans for at least six more plants – all joint ventures and likely to incorporate private sector finance – which could eventually add 12,000MW of hydroelectric capacity to the regional total. According to Mr Carlos Jiménez Meza, first secretary at the Paraguayan embassy in Buenos Aires, the 4,608MW Corpus project on the Paraná between Paraguay and Argentina, will be built under concession by private contractors for an estimated $3bn-$4bn.

Neither is regional co-operation to be confined to hydroelectric dams. Moves are already under way to link up the electricity grids of some Mercosur states, so that power can be sent across borders when there is spare capacity.

For example, Brazilian company Electrosul has built a $60m conversion plant on the border with Argentina so that power, which runs at 50Hz in Argentina and 60Hz in Brazil, can be transferred between the two national grids. Brazil will supply Argentina from March to November, the cold period in Argentina when electricity is most in demand, while excess electricity will be sent north from November to March when power is needed to water Brazilian rice crops.

Although tariff details are still to be worked out, it is hoped that the strategy can be repeated in other cross-border regions. Brazil and Uruguay have already come to a similar arrangement, with a planned 70MW conversion plant to be built in Uruguay.

In the gas sector, plans are even more ambitious. Building on the example of the oil pipeline between Argentina and the Chilean city of Concepción, which was finished last year, private companies are studying projects to link gas fields in Argentina with Brazil and Chile, and Bolivian fields with Brazil. (Both Chile and Bolivia are expected to be incorporated into Mercosur as "associate members" later this year.)

The most advanced plans are for a gas pipeline linking Argentina's Neuquén fields with Santiago, the Chilean capital. Rival consortia, one led by Tenneco of the US and British Gas, and the other incorporating Canada's Novacorp, Techint and Sociedad Comercial del Plata of Argentina, have poured millions of dollars into feasibility studies.

While rumours are rife that the projects may merge, officials on both sides of the border are confident that a gas link will be in place by the turn of the century. The project, intended to supply gas to thermo-electric generators and 600,000 homes in Chile, could cost up to $1.65bn. Both consortia claim that conversion to gas power will go some way towards alleviating Santiago's chronic smog problems.

More ambitious still are plans for a 3,000km pipeline between north-east Argentina and Brazil, itself a possible rival to a project led by Enron of the US to link Bolivian gas-fields with São Paulo's industrial heartland. Brazil's constitution, which grants Petrobras a monopoly in the hydrocarbons sector, will have to be amended before either project goes ahead.

Of Brazil's total energy consumption, only 1 per cent is derived from natural gas, against 32 per cent in Argentina. Such imbalances open the possibility for a more rational use of energy on a regional scale, report says.

One of the most striking examples of mismatched resources is Paraguay which, according to Mr Jiménez Meza, uses only 3 per cent of the hydroelectric energy to which it is entitled from its stakes in Itaipú and Yacyretá.

Energy tariffs are far cheaper than in other Mercosur states, and Asunción is actively trying to persuade energy-intensive industries, such as manufacturers of aluminium, iron, pulp and caustic soda, to base operations in Paraguay. "We will promote ourselves as the Saudi Arabia of hydroelectric power," says Mr Jiménez Meza.

Conversion to gas power may go some way towards alleviating Santiago's chronic smog problems

Angus Foster looks at how far trade barriers have been removed

Most targets have been met

Mercosur's foundation stone was laid on March 26 1991, with the signing by the four member states of the Treaty of Asuncion. Conceived by politicians to cement improving ties between Brazil and Argentina, the treaty had a number of unrealistic aims.

As its name – an acronym for southern common market – implied, Mercosur aimed to set up a market for the free movement of goods, capital and labour. It also hoped to co-ordinate macroeconomic policy between its members. Even the treaty's most optimistic observers agreed a common market would take years to build and that the four economies were too diverse to be integrated.

The treaty was updated by the Protocol of Ouro Preto, signed on December 17 last year but still awaiting ratification by the four countries' legislatures. The protocol gives Mercosur an international legal status, allowing it to negotiate with other countries and bodies such as the European Union. The protocol has precedence over the treaty, although the latter's goal of an eventual common market remains in place.

Chapter 1 of the protocol describes the structure and role of the various Mercosur institutions. The highest decision-making body is the Mercosur Council, made up of the foreign and finance ministers of the four countries. Each country holds the presidency of this council for six months on a rotating basis. The council has to meet at least once every six months with the four presidents present.

Beneath the council there are two decision-making bodies. They are the Mercosur Group, the main executive body composed of officials from the four governments, and a trade commission to review trade policy and examine complaints. Other institutions are a parliamentary commission to represent the four countries' legislatures, a consultative forum for private sector businesses and trade unions, and the Mercosur Secretariat, based in Montevideo. This acts as an administrative body and official archive and there are no plans to turn it into a EU-style Commission.

An annex to the protocol sets out the trade commission's complaints procedure. The four partners will attempt to solve complaints and trade disputes through consensus and advice from technical committees.

If there is no consensus, or a decision is not upheld, the complainant can instigate proceedings under the 1991 Protocol of Brasilia. Cases are then decided by a tribunal with one judge from each of the countries in dispute, and a third independent judge. This procedure, which has never been fully tested, was chosen by the four to prevent any draining of sovereignty to an independent, supranational court.

The Ouro Preto meeting also agreed the final lists of products to be exempted from the free trade and customs union rules for a limited period. These lists were the result of negotiations between the four countries and the products were seen as either strategic or in need of more time to prepare for competition.

In the free trade area linking the four countries, tariffs have been falling gradually and are now at zero for about 90 per cent of trade. Products covered by the remaining 10 per cent will have their tariffs cut progressively to zero by January 1 1999 for Argentina and Brazil, and one year later for Paraguay and Uruguay.

Argentina has 221 such products, from paper to textiles. Brazil has 29 products, including peaches and wines; Paraguay has 427 products, including textiles, vegetables and milk products; Uruguay has 950 products, ranging from textiles and steel to chemicals.

The customs union is predicated on a common external tariff (CET) which will be levied on imports from non-Mercosur countries. Because each government wanted more time to protect certain products from foreign competition, only about 85 per cent of Mercosur's 9,000 product categories will adopt the CET immediately. The CET ranges from 0-20 per cent, with an average of 13 per cent.

Products granted exceptions from the CET are mainly capital goods and telecommunications equipment. With capital goods, Brazil and Argentina had very different tariff levels (35 per cent and 0 per cent respectively) and these will gradually converge to 14 per cent in 2001. With telecommunications, the 16 per cent CET will be in place from 2006.

Each government was allowed to exempt temporarily a further 300 products from the CET. Argentina chose to exempt 232 products (including steel, chemicals, paper and shoes), Uruguay exempted 212 (milk products, chemicals and rubber), Paraguay 210 (chemicals and agricultural products), and Brazil 175 (chemicals and petroleum derivatives).

Finally, the governments could not reach agreement on two sectors, vehicles and sugar, which will not be bound by Mercosur rules until 2000. They agreed from that date there would be free trade in cars and car parts, as well as common environmental rules.

Television/**Christopher Dunkley**

Some jewels amid the dross

BBC people must often feel that they cannot put a foot right. At one extreme they are criticised for failing to maintain a tone of high seriousness among Radio 3 presenters who are being accused of resorting to "chattiness" in the pursuit of bigger audiences. At the other extreme they are ridiculed for failing to achieve with the *National Lottery Live* the sort of huge audiences attracted in other countries where lottery programmes top the ratings. There seems to be a widespread feeling (it sometimes creeps into this column) that the BBC is so intent upon competing with commercial broadcasters, and so determined to maintain a big audience share in order that politicians sustain the licence fee, that it is in danger of forgetting the very things that won the BBC its high reputation in the first place, and which justify the continuation of public service broadcasting.

Yet if you keep a close eye on the schedules you find that the BBC does still offer much in this category, even if it is more difficult to find these days, being surrounded by ever increasing quantities of rubbish. Consider four new BBC series: *Painting The World*, *Correspondent*, *Little Lord Fauntleroy* and *Nolan*. The first is the sort of series which you might have thought had been abandoned when it became fashionable to have art programmes presented by comedians, simpering nuns or almost anyone rather than an art expert. This series – unfortunately only four 30-minute programmes – is presented by Neil MacGregor, director of the National Gallery, source of all the paintings featured.

Producer Patricia Wheatley ensures there is nothing flash here. When MacGregor starts to talk about the Donne triptych by Hans Memlinc she does not impose her own sensibilities over those of the painter by starting her camera in big closeup on a pigeon's eye and roving bafflingly up and down before zooming out to reveal the whole painting, as 19 out of 20 producers of art programmes would. Instead she enables us to see the works, from the word go, as painters intended us to see them: whole. Nor does MacGregor wave his arms, or pogo like a teenybopper on Ecstasy, in the – elsewhere unquestioned – belief that, without hysterical enthusiasm in the presenter, the viewers will all change channels.

Hearing him say of Crivelli's Ascoli annuciation "It's a local government triumph conceived in cosmic terms ... we couldn't celebrate it this way today because we couldn't think it this way today," you muse "Ah wonderful! Back to civilisation" or even *Civilisation*. It is like returning to a lost world of adult discourse after being locked up for months in Disney World. Yet this, surely, is precisely what the BBC ought to be doing. Not until you have tramped the Louvre and the Uffizi, the Hermitage and the Metropolitan, do you realise what an astounding treasure house Britain has in the National Gallery. That being so, it is quite right that it should be explored and explained by Britain's national public service broadcaster. We might ask why there are not permanent arrangements for the BBC to bring us the treasures of the publicly financed National Theatre, Royal Opera House, and so on, too.

Correspondent, a new BBC2 series screened at 7.15 on Saturday evening, is another classic public service programme. As with so much of the mass media, television tends to report from abroad only when there is a war or some other disaster occurring. Yet, as we know from Radio 4's *FOOC* (*From Our Own Correspondent*, on which this series appears to be based) something as simple as an account of the different types of bread to be found in Africa can make for fascinating broadcasting.

It was disappointing to find the first edition of the television version scrambling backwards to rediscover the black and white certainties of South Africa in the age of apartheid; and the film accompanying John Simpson's report from the Moslem stronghold of Zenica looked worryingly contrived. Are we really supposed to believe that anyone reports to his recruitment barracks with just his accordion – no toothbrush, no spare socks – unless he is putting on a performance for the camera? Still, the items on American lawyers and Chinese peasant farmers were better and showed what value you can get out of the BBC's big foreign staff.

Having discovered BBC1's *Little Lord Fauntleroy* only this week, by which time three of its six episodes had passed, I now wish I had caught it from the beginning. Here is a classic Sunday teatime serial of the sort which many people – especially politicians – clearly believe should be at the heart of the BBC's output. Quite right, if they were all as good as this. It is beautifully filmed, on impressive locations, with a strong cast headed by George Baker as Lord Dorincourt and Michael Benz in the title role – the only oddity being Benz's straight fair hair in place of the famous "long curls". For those of us who have never quite got round to reading the book, the surprise is what a good, strong story it has to tell, despite the ridicule it attracts because of the saintly nature of the little lord.

The decision, after years of famine, to resume the BBC's adaptations from classic literature (*Middlemarch*, *Martin Chuzzlewit*, now this) is surely right. Expensive they may be, but it is by this sort of production that viewers – even those who do not themselves watch such series – often judge the value of what the BBC delivers.

The fourth programme, *Nolan*, is a spur-of-the-moment series slotted into BBC2 on Saturday afternoons in place of the usual *Horizon* repeats, showing evidence being taken by the Nolan Committee which is investigating standards of conduct in public life. The American experience has suggested that it is often committee work which provides the most fascinating and revealing material once the cameras are allowed inside a parliament. Judging from this opening programme on *Nolan*, with evidence being given by all sorts of people from Dame Angela Rumbold to news agency veteran Chris Moncrieff, it could prove true here as well. It looks like another good example of what a public service broadcaster ought to include in its output.

So the BBC does frequently get it right. But of course *Noel's House Party* at "Crinkley Bottom" (a name now protected in law by copyright) and those whining teenagers in *Neighbours* attract far bigger audiences.

Classic: Michael Benz and George Baker in the BBC's 'Little Lord Fauntleroy'

Alastair Muir

Exceptional: Simon McBurney (who also directs) as the lover and Lilo Baur as Lucie

Theatre/**Sarah Hemming**

The Three Lives of Lucie Cabrol

If you had told the founder members of Théâtre de Complicité a decade ago that they would start 1995 with one show at the National Theatre and a second in the West End, they would probably have laughed. But here they are, with *Out of a House walked a Man* at the Lyttelton and *The Three Lives of Lucie Cabrol* on Shaftesbury Avenue. It says much for the perseverance and vision of this company that their work now appears in the very heart of London theatreland, for they are at the forefront of a wave of visual performance that has transformed British theatre over the last 10 years.

The Three Lives of Lucie Cabrol (whose West End showing launches a national tour) is vintage Complicité. Based on a story by John Berger, it allies the company's virtuoso physical technique to heartfelt interpretation and reveals the maturity and pathos that is the fruit of a decade's work. It also does brilliantly what Complicité does best – it sucks you into the world of the story. Once the lights go down and Simon McBurney, as Jean, steps forward to introduce you to the characters, you are hooked, transfixed like a child at its grandmother's knee.

This is partly thanks to the power of the story itself, with its vivid central character, a woman who you feel should stride straight out of the pages of Berger's novel, across the stage, and into the general consciousness, like Mother Courage. Lucie Cabrol is a tiny, ugly peasant woman, born into a farming family in the French Alps in 1900. Ridiculed for her stature, condemned to a life of drudgery, and abandoned by her one lover, she nonetheless clings to hope like a burr to a coat.

As we follow this little outcast through her three lives – as a farm labourer, then as a smuggler, then in the afterlife – she becomes for us the spirit of optimism, hope and tenacity. Her story is a moving testament to the dignity of the unloved and the downtrodden; but it also traces the shape of the 20th century. Lilo Baur's exceptional performance carries all this baggage with ease: a wiry little scrap, she gives Lucie a ferocity and intensity which mean you cannot take your eyes off her, while letting you see how every bone in her body aches for a moment of affection.

But the story's success is assured by Simon McBurney's ingenious, fluid production that recreates Lucie's primitive world with startling vividness. On a set strewn with planks, tubs and buckets, seven actors sweep around the stage melting from one scene to another, playing a school classroom, a shed of cows and a thicket of brambles with equal ease. Their inventiveness is rivetting and often funny, but you never have the feeling that this is just showy athleticism, neither does the show sentimentalise the simple peasant life. The production suggests the rhythm of the story, which moves from earth to sky and from dark to light, and embraces its more ethereal dimension – the yearning for justice and love that drives it forward – while dealing admirably with pig-sticking.

There are drawbacks to the style. The weight of incident slows down the unfolding of the narrative in places – the first half feels quite long – while the music sometimes seems to suffocate the show. But, this aside, its succeeds marvellously in evoking a strange other world and in creating a defiant little character, who lives on in the mind long after you have left the theatre.

Continues at the Shaftesbury Theatre to February 25, then tours nationally.

London Mime Festival/**Alastair Macaulay**

Attitudes in slow-motion

I have spent almost 17 years plucking up courage to explain to people that I am a dance critic – a career once described by Richard Buckle as "barely legal in this country between consenting adults" – and the experience has toughened me considerably. Still, even I grow pale at the prospect of telling people that I spend several nights each January at the London Mime Festival.

The hottest ticket of this year's festival was Marcel Marceau, the most famous mime of them all and possibly the oldest. Before his brief three-night season at the Queen Elizabeth Hall, Marceau was to be heard on the radio. He spoke in tones of old-school disapproval about the modern adulterations being exercised upon his art by so many junior practitioners, and of the need to follow the rules of mime, of the traditions that go back to the days of the Romans, and of the need to preserve the true purity of the medium.

But Marceau's mime is not classical now, any more than when I last watched him 15 years ago. It is, rather, a decadent brand of academic mime, in which manner outweighs content. There is no transparency to Marceau's art; and in this respect he resembles Steven Berkoff (upon whom he has had so massive an influence). But whereas Berkoff performs like an angrily narcissistic exhibitionist, Marceau behaves with a uniquely French blend of winsomeness and hauteur. His arms and hands trace cultivated arcs as they pass through the air, he repeats and exaggerates gestures in virtuoso crescendi or diminuendi – but he fails to give a serious impression of grace or musicality, because his technical display is so obviously superficial. The fluency of the arms, the calculated vigour of the face, find no correspondence in the torso; he is so dismayingly stiff across the shoulders, he looks as if he has a coat-hanger beneath his chemise. It is an aged style, and I think it always was.

The haunting feature about Marceau is not his skill but his face. The skin is daubed a chalky clown white; the wide, black-painted mouth is a down-turned crescent; the canny old eyes desperately dart forth, beneath the stiff, hopeful, rising arcs of the painted eyebrows. It seems a huge face, and it seems to encapsulate all that was most regrettable and most determined in the ageing Marlene Dietrich, the ageing Martha Graham, the ageing Bette Davis.

Of the four I have seen, 'Forgotten Heroes' was the only one with spontaneity

The first half of his programme was a medley of his usual solos – the Painter, the Trial, and so on. In the second half, he and his company performed his gruesomely cute and mechanical version of Gogol's *The Overcoat*, with himself in the leading role. I do not know how the latter ended; after I had stuck out two and a half hours of the evening, I fled.

My problem with Marceau's *The Overcoat* is the same problem I have with most of what mime I get to see each year: namely, that it is distressingly simple-minded, slow, laborious. This year's festival opened with Stockholm's Marionetteatern, doing a staggeringly dreary version of Strindberg's *Ghost Sonata*. This was one of *five* Strindberg plays opening in London during the next few weeks, and chances are this will prove the worst. And slowest. The little marionettes were fairly delectable, if you were sitting close enough to see them in any detail, but they played a far smaller contribution than their puppeteers. From the very first movement, these three controllers displayed the kind of contrived, chilly, slow-motion artfulness that congealed the whole show. Horrid, and horridly dull. As for Trestle Theatre Company's plodding sub-*Jackanory* version of Stravinsky's *The Soldier's Tale*, I fled after about 30 minutes.

Of the four mime evenings I have had so far this festival, Black Mime Theatre Company's *Forgotten Heroes* was the only one with any spontaneity, and the only one which held its entire audience from first to last. (Quite a number of people walked out of each of the others.) It also had, at times, poetry. When these performers are slow, the slow-motion is itself interesting; the thought behind it is not slow at all. *Forgotten Heroes* is about aspects of urban male life today – ball-games, clubbing, courtship, family life, employment and unemployment – and it veers between humour and seriousness, between realism and lyricism, with touching skill.

Not everything was wonderful: aspects of the show were marked by various p.c. attitudes about cultural minorities. We saw gay-bashing; later we saw black-bashing in identical form. Blacks and gays – both victims, both in need of more tolerance, both in the same boat, geddit? *Forgotten Heroes* did not make the mistake of making homophobia a white phenomenon; but the degree to which it made blacks and gays equal, and concentrated on their victimisation, was sociologically facile. There was also a little too much sentimentality. But *Forgotten Heroes* was fresh from start to finish, and alive with the highs and lows of human feeling. Here, thank heaven, are mimes who make mime seem humane, complex, adult.

The 1995 London International Mime Festival continues until January 29.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw **Tel: (020) 671 8345**
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 26, 27

■ BERLIN

GALLERIES
Neue Nationalgalerie Tel: (030) 266 2653
● George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17
OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich at 7 pm; Jan 25, 28 (6 pm)
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm)
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7 pm; Jan 31,
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 26 (7.30 pm)

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● North West German Philharmonie: with soprano Gail Gilmore, and conducted by Michail Jurowski plays a variety of operatic pieces at 8 pm; Jan 28
● Saarländ Radio Symphony Orchestra: with pianist Bella Davidovich, and conducted by Marcello Viotti plays Mozart, Chopin and Schubert at 8 pm; Jan 25

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● *Pierre Boulez: conducts the* London Symphony Orchestra with soprano Jessye Norman and the London Symphony Chorus as part of his 70th birthday celebration. Music includes Berg, Bartók and his own, 'Livre pour cordes' at 7.30 pm; Jan 26, 29
Festival Hall Tel: (071) 928 8800
● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra and soprano Turid Karlsen, contralto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30
● Royal Philharmonic Orchestra: with pianist Eliso Virsaladze and conductor Yuri Temirkanov plays Britten, Prokofiev and Shostakovich at 7.30 pm; Jan 31
● The London Philharmonic: jazz meets the symphony. Lalo Schifrin conducts this fusion of classical and jazz traditions at 7.30 pm; Jan 29
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2
Queen Elizabeth Hall Tel: (071) 928 8800
● The 1995 Mozart Birthday Concert: the Britten Quartet with Norbert Blume (viola) and Leon McCawley (piano) at 3 pm; Jan 29
GALLERIES
Serpentine Tel: (071) 402 0343
● Man Ray: exhibition of works by the celebrated artist; to Mar 12
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 26, 28
● King Priam: a new production of Tippet's opera that opens the London festival - Tippet: Visions of Paradise, to celebrate the composers 90th birthday at 7.30 pm; Feb 3
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Jan 27; Feb 1
Royal Opera House Tel: (071) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 25, 28, 31; Feb 3
● *Otello: by Verdi. Conductor Carlo* Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 26; Feb 1
● Troilus and Cressida: by Walton. An Opera North production conducted by Richard Hickox and directed by Matthew Warchus at 7.30 pm; Jan 30; Feb 2
THEATRE
Barbican Tel: (071) 638 8891
● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; Feb 3
National, Lyttelton Tel: (071) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 3
National, Olivier Tel: (071) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff; at 7.15 pm; Jan 27, 28 (2 pm) , 30

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the surviving 'Composition' paintings; from Jan 26 to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea at 8 pm; Feb 1
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 28; Feb 3
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 25, 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 26, 30; Feb 2
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27, 31

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● London Symphony Orchestra: with soprano Jessye Norman. Pierre Boulez conducts Berg, Bartók and his own compositions at 8.30 pm; Feb 1, 2
● National Orchestra of France: Charles Dutoit conducts Beethoven at 8 pm; Jan 26, 27
● Viennese Philharmonic Orchestra: Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Chamber Orchestra: 10th anniversary gala concert with the Washington Bach Consort. Piotr Gajewski conducts at 8.30 pm; Jan 25
GALLERIES
Sackler Tel: (202) 357 2700
● A Basketmaker in Rural Japan: examples of all 103 designs by Hiroshima Kazuo, the world's greatest basketmaker; to Jun 9
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 2
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 25, 30; Feb 1, 3
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 26, 29 (2 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton at 7.30 pm; from Jan 27 to Mar 19 (Not Mon)
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey into Night: Eugene O'Neill's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Kennedy Center Tel: (202) 467 4600
● How to Succeed in Business Without Really Trying: co-production with the Kennedy Center. Directed by Des McAnuff and starring Matthew Broderick as J. Pierrepont Pinch, the little window-washer with big corporate dreams at 8 pm; from Jan 29 to Feb 26 (Not Mon)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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MONDAY TO FRIDAY

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07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Edward Mortimer

The distant drum

The new US Congress wants to expand Nato. But how far?

America's new Congress is on the march. Speaker Newt Gingrich is leading his troops into battle, with drums beating and banners flying. Writ large upon those banners is the "Contract with America" – the Republican manifesto now translated into legislative prose.

Egged on by William Safire, the hawkish New York Times columnist, the new majority in the House of Representatives has tabled H[ouse] R[esolution] 7, "a bill to revitalise the national security of the United States". This says, among other things, that Poland, Hungary, the Czech Republic and Slovakia should be invited to become full Nato members not later than January 10 1999.

That is not good enough for Mr Safire. "What about the Baltic nations?," he asks. What about Ukraine, "which cannot with consistency be excluded"? HR7 says that those countries "may be in a position *at a future date* to further the principles of the North Atlantic Treaty and to contribute to the security of the North Atlantic area, and *at the appropriate time* they should receive assistance to facilitate their transition to full NATO membership". In Mr Safire's view that makes them "second-class candidates", thereby condemned to fall back into the Russian sphere of influence.

He at least is clear about the purpose of expanding Nato, which is "building collective security against a future threat from the east". He has made up his mind that Russia is not to be trusted, is bound to threaten the west again in the future, and will have to be "contained" again as it was in the cold war. Best start now while Russia is "preoccupied", and extend protection to its most vulnerable western neighbours before it is too late.

But Mr Safire's friends in Congress are not so clear. They see "new security threats" to the shared interests of Nato members, "more geographically and functionally diverse and less predictable" than the old threat of communist domination. They mention in particular the "threats posed by the proliferation of nuclear, chemical, and biological weapons of mass destruction and the means to deliver them"; and they speak of "the need to assure all countries of the defensive nature of the alliance and the desire of its members to work co-operatively with former adversaries".

Will Russia destroy toxic agents, as agreed? Inset: Newt Gingrich

Of course, if nuclear proliferation is one of your main worries, co-operation with Russia should be high on your list of priorities. There are still between 20,000 and 35,000 nuclear weapons in Russia, supposedly being dismantled at the rate of two to three thousand warheads per year. No one in the west knows for sure whether this is really happening, or what happens to the fissile material from the weapons once dismantled. In the present state of Russia, neither its ability nor its willingness to keep all this material under control and dispose of it safely can be taken for granted.

The west has a strong interest in involving itself in this process as closely and actively as possible, as it does also in improving the safety of Russia's numerous civil nuclear reactors, any one of which could at any moment turn into a second Chernobyl, or worse. That remains true however angry one feels about Russian behaviour in Chechnya, or however gloomy about the prospects for Russian democracy or economic reform. Perhaps that is why HR7 makes no mention of Russia as a threat, but implicitly includes Russia among longer-term candidates for Nato membership.

A useful categorisation of arguments for Nato expansion is given in an article in the forthcoming issue of Survival, the journal of the International Institute for Strategic Studies, by three analysts from Rand, the Pentagon's quasi-autonomous think tank. (The authors are the same three – Ronald Asmus, Richard Kugler and Stephen Larrabee – who first argued for expansion in the magazine Foreign Affairs in 1993). They draw a sharp distinction between "strategic response" arguments like Mr Safire's, in which fear of Russia is predominant, and their own position, which stresses the need to "project stability" in central and eastern Europe by providing a clear security framework for the economic and political transition from communism to democracy.

They see this transition threatened, not by Russian expansion but by "a security vacuum between Germany and Russia ... rekindling nationalism and reviving old patterns of geopolitical competition and conflict". They also distinguish themselves from a third, "evolutionary", school of thought, which sees Nato expansion as merely part of a more general integration of central and eastern Europe into "both the European and Atlantic communities". They want Nato membership enlarged quickly, without waiting for the European Union, while evolutionists see the two bodies growing "in conjunction", with the EU as the "key driving organisation".

At a Euro-American gathering hosted by Rand in Washington last week, the authors argued it would be difficult to sustain US commitment to Nato if the evolutionary path were adopted, as it would amount to asking the US to let the EU decide which central European states it should guarantee, on the basis of such perverse criteria as their willingness or ability to accept the common agricultural policy. But when I asked Mr Larrabee whether he included the Baltic states among those to which stability should be projected through Nato membership, he said in their case the process *would* be evolutionary, with EU membership coming first.

Another American questioned whether Congress would really be willing to link the security of the US to that of Poland, let alone Estonia, unless those countries were fully part of Europe, and seen as such by other Europeans. That is surely the right question. I think if I were a central European I should not put too much faith in the sound of Mr Gingrich's distant drum. I should put my money on the evolutionary horse, but use it as an argument for speeding up EU expansion (and scrapping the CAP), rather than slowing down Nato expansion.

Justice on executive pay

PERSONAL VIEW

The remuneration of chief executives has become a legitimate area for public concern which cannot be brushed aside as a passing media obsession. But the current debate needs to be conducted within an acceptable framework. Without a framework, it degenerates into a war of slogans – greed versus envy, double standards versus muddled thinking, or the rich versus the rest.

As a society we have adopted an odd set of priorities over remuneration. We put a high price on escapism (pop groups, footballers, film stars, lottery winners). Entrepreneurs and the well-heeled professions go largely beyond rebuke. But we quibble about the often much smaller sums that go to the bosses of the major companies which underpin our economy. And we tolerate the fact that our legislators and those who run the country are paid very little indeed.

What principles *should* underpin remuneration in a capitalist society, which has quite rightly eschewed direct intervention by the state?

First, we should remember that money is, of itself, morally neutral. It has moral connotations only in the context of how it is acquired and how it is used. £20 used to bribe a traffic warden is bad. £20 given to charity is good. The £20 note itself is neither good nor bad.

Second, we might acknowledge that the fundamental principle that properly underpins differentiation in levels of remuneration is justice – distributive justice. The central question is whether there is a just and fair reward for the job done.

If we stick to that principle of justice, we can clear away much of the emotional baggage surrounding the arguments and get down to the practical issue of determining what is, or is not, a just reward.

Four main criteria spring to mind:

- The nature of the job, its size, complexity, rate of change, competitiveness and its significance to the economy and society at large.
- Its comparability with other similar jobs. There is a market (albeit imperfect) for chief executives and an international one at that.
- The skills, experience and characteristics required of the individual job-holder.
- The actual performance of the person holding the post.

But, beyond the application of some fairly self-evident criteria, the reward – to be just and fair – needs to be acceptable to other stakeholders with a legitimate interest. This last point lies at the heart of the current debate. And the issue of the interests of other stakeholders bears some examination. Where do they lie?

The reward – to be just and fair – has to be acceptable to other stakeholders with a legitimate interest

Consumers are key stakeholders. They have a material interest in the competence of top management (a competence that will only be secured through just rewards) as they are affected by how well the job is done. But they will generally have no material interest, *qua* consumers, in the level of remuneration as such, as it does not affect them one way or another. (If I were to do my job for nothing and my pay were passed on to customers, it would be lost in the roundings of the average bill.)

By the same token, the regulator has no locus either, as his relevant interest does not extend beyond protecting the consumer.

Employees are also key stakeholders. They clearly have an interest in distributive justice and in ensuring that it applies not just to themselves but throughout the company. They, like consumers, also have a direct interest in the competence of top management. But, beyond that, the precise level of the chief executive's remuneration is surely immaterial to them – they have nothing to gain from a cut in the boss's pay.

The shareholders, as the ultimate owners of the company, have the legal right to be interested in any aspect of the company's affairs. But when it comes to the level of the chief executive's remuneration, they too are unlikely to score highly on the criterion of materiality. (Divided equally among the shareholders, my pay would not buy much more than a postage stamp apiece.)

Nor, frankly, can it be *practical* for them to make fine judgments and reach consensus on the opportunity cost of the chief executive's job, its comparability with other jobs, the skills requirements, or even his performance. On the grounds of practicality, they have to trust these matters to the board's remuneration committee.

Where then do shareholders' material and practical interests lie? Simply in the appointment of the chief executive in the first place, and in the proper constitution, membership, independence and functioning of the board's remuneration committee thereafter.

Should shareholders wish it, there is plenty of scope for reform in both these areas. The chief executive's appointment could be confirmed by shareholder resolution. The same goes for the chairman and members of the remuneration committee, who bear the prime responsibility here and whose independence is so important.

The remuneration committee could be required to report to shareholders on the criteria it applies in determining a "just and fair reward" and on the nature and purpose of *all* the elements that make up the remuneration package. There are many possible variations on these themes but, at the very least, shareholders surely have the right to full disclosure. Indeed, without it, a proper market in chief executives cannot exist.

My own views on an acceptable framework for determining the remuneration of chief executives are quite simple. Market forces need to be tempered by the principle of distributive justice. Beyond the board, the only stakeholders with a proper interest in the level of remuneration are the shareholders. If government has an interest, it lies in ensuring that shareholders have the right to exercise theirs.

But shareholders, and the representative bodies of the institutions, should stick to what is material and practical. They should resist any temptation to annexe the job of board remuneration committees; that is quite impractical. Instead, they should concentrate on ensuring that those committees are duly constituted and carry out properly and openly what is expected of them.

Meanwhile, we company chairmen and boards have every incentive to put our houses in order, to the extent necessary, before others try to do so for us. And we must explain our case.

Public opinion may not, strictly speaking, constitute a legitimate stakeholder interest, but we ignore it at our peril. Justice must not only be done but seen to be done.

Iain Vallance

The author is chairman of British Telecommunications

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

ACP countries need banana trade, not aid

From Mr Bernard Cornibert.

Sir, In your article, "EU banana policy 'perverse and inefficient', says World Bank" (January 20), you reported on another "study" by World Bank economist Brent Borrell claiming to demonstrate the inefficiency of the EU banana regime.

What you failed to explain was why the regime exists in its current form. It does so in order to ensure that the African, Caribbean and Pacific (ACP) banana exporting countries continue to have access to the EU market at a viable price. Without the existing provisions, these countries, particularly the Caribbean, would be forced out of the market at devastating social and economic costs. The small family farms in these hilly islands cannot produce as cheaply as can the vast, flat plantations of Latin America, many of which are owned and controlled by one or other of the three large companies dominating the world banana trade.

With bananas accounting for almost 60 per cent of total export earnings of the Windward Islands, for example, there is no alternative produce that could offer comparable income or employment.

The Borrell prescription, in whatever form, is designed to get Caribbean banana growers out of production. This would be incompatible with the EU commitment to the Caribbean, under the Lomé IV Convention, and would be socially, politically and morally unacceptable. We need trade, not aid or "hand-outs", and there is ample moral and political justification to regulate trade to achieve the underlying objective of the EU banana regime.

Bernard Cornibert,
managing director,
Windward Islands Banana Development & Exporting Co,
1 Collingham Gardens,
Earls Court, London SW5, UK

View too simplistic

From Dr C Rowley.

Sir, The article on Britain in the EU ("Weak kind of wooing", January 18), while pertinent and making several important points (for example, regarding the nation state), was too simplistic in its treatment.

For instance, its portrayal of the British position as a "retreat to nostalgia", avoiding any systematic analysis, is at best partial and at worst ignorant of the intellectual arguments and the social, political and economic history that have shaped the political economy of Britain.

Only with this sort of perspective will the debate on the EU have any clarity.

C Rowley,
School of Management,
Royal Holloway,
University of London,
Egham,
Surrey TW20 0EX, UK

Electronic tools should boost niche marketing

From Mr Dennis Ing.

Sir, Winston Fletcher puts up a robust defence of media advertising (Media Futures, January 23) in the face of new electronic tools that promise to revolutionise messages and messengers by offering pinpoint accuracy in focusing on latent consumer demand. However, he ignores what is perhaps the most important benefit of the digitalised, interactivated and databased future.

In an oligarchical retail environment where the leading sub-sectors (food, clothing, banking *et al*) are being merged and then carved up among a handful of retail conglomerates, the opportunities for small producers and retailers not in the club to market their goods and services could be tremendously enhanced by such new marketing vehicles.

Niche markets have not been well served and wide product ranges have never been satisfactorily made available to consumers through the "biggie" retailers that dominate and dictate the process of retail demand. Producers of more specialist goods that cannot persuade the big retailers to become stockists struggle both to sell and to distribute via such means as small display ads in newspaper classified sections and the few retail outlets that their limited selling resources manage to sign on. The new tools promise to give them a such more direct marketing voice and means of distribution to the consumer.

In such a selling environment I daresay Winston Fletcher's media and advertising skills will have more, not less, opportunity to be deployed.

Dennis Ing,
68 The Avenue,
London NW6 7NP, UK

Security in Nigeria

From Mara Myers.

Sir, Paul Adams's article "Economic reforms on parole" (January 20) mentioned a number of factors causing Nigeria's economic decline but only briefly mentioned an increasingly important factor – security. As part of a family currently mourning the death in Lagos of one of its members, I am increasingly under the impression that the threat to one's own or a loved one's life will be a greater deterrent to foreign investors than corruption, malfunctioning infrastructure or mismanagement.

Indeed, having lived in Kenya through the murders of several friends, security seems to be a tragic barrier to economic development in other parts of Africa too.

Mara Myers,
third year undergraduate,
St Anne's College,
Oxford OX2 6HS, UK

Correct use of English

From Mr Michael Blanford.

Sir, I think we may have a case of the pot calling the kettle black in your Observer column. Under the headline "Phoney Phonetics" (January 16), the story is told of the American machine which has been trained to understand the spoken word in American English, but not – lackaday! – in English English.

But is it not Observer himself who utters an Americanism in the report headed "Walzing out of History", when he talks in the third paragraph of "belabouring the point"? I believe English English usage would be satisfied by merely "labouring the point". I sometimes wonder whether "belabouring the point" is in fact correct American English usage, but that is another story.

Michael Blanford,
11 Boyton Road,
Ipswich IP3 9PD,
UK

Regulators should not have a role in setting the salaries of utilities chairmen

From Mr George Rufford.

Sir, After 40 years in the electricity supply industry I retired in 1983 on a modest pension.

From 1976 I had been deputy chairman (managing director) of Eastern Electricity Board. Board chairman and the deputies were ministerial appointments, so their salary and conditions were determined by parliament and were often restrained for political reasons.

I recall that one outcome of this arrangement was that some 15 subordinate staff, whose pay was determined by collective bargaining, earned more than the deputy chairman.

Marjorie Mowlam MP has said that a Labour government would empower industry regulators to fix the remuneration of the chairman and directors of privatised utilities. Involving regulators in salaries and benefits is not only undesirable, it is also unnecessary because the recent windfalls for utility chairman and directors are a one-off.

The employment select committee, which has just begun investigating the pay of directors of the privatised companies, should not do so without taking account of the enormous benefits that privatisation has brought.

What we have now is not perfect but the new market based regime has already produced massive improvements. Alas, many commentators seem prepared to dismiss the efficiency gains and the more realistic approach to capital investment.

They favour state central planning, and recent stories about pay and benefits have been grist for their anti-privatisation mill.

In the case of electricity, I suggest that those who are peddling figures of some £20m of gains by directors should see this in context of, for example, the £400m saved since disbanding the Electricity Council – a body which stifled initiative and bred bureaucratic blight throughout the electricity industry.

Today's industry is about low-cost operational behaviour and entrepreneurship instead of cost-plus regimentation; prices are down by 7 per cent in real terms (and are falling) and the government is raking in corporation tax from the profits of the electricity companies.

I hope that the select committee, when examining salaries and benefits, will agree with me that the privatised industries will be much better for the UK than the pork barrel political empires which preceded them.

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FINANCIAL TIMES

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Wednesday January 25 1995

How to create German jobs

The chill breeze of realism is blowing through the German trade union movement. After pushing through unjustifiably high wage increases immediately after unification, unions during the last two years have been forced by recession to accept real wage cuts for their members. Even though the economic recovery is now well under way, last weekend's agreement on wage and working hours flexibility by the DGB union confederation represents *another move towards* reducing labour market rigidities. It provides a positive background to today's "employment summit" between union and employer organisations and Chancellor Helmut Kohl.

However, Germany's steps to improve its economic performance remain hampered by sizeable barriers to growth and employment. The DGB has accepted reduced wages for shorter working hours, together with Saturday working at normal pay rates, but has called on employers to make good their pledge in return to create 500,000 extra jobs. Yet in a country where the working week is already one of the shortest in the world, there are clear limits to expanding jobs through reducing working hours. Forecasts of significant employment creation are unlikely to be realised unless further steps are taken both to hold down pay rates and to lower tax and regulatory burdens on German companies in both the unionised and non-union sector.

The trade union confederation's move has important symbolic value, but in some ways the DGB has simply caught up with reality. The decision has been contested by the IG Metall metalworkers union, which traditionally takes the lead in negotiations on pay and conditions and opposes weekend working. However, IG Metall's resistance amounts to little more than tokenism.

Rigidities eroded

Erosion of employment rigidities has already been taking place on a wide scale, partly as a result of companies' moves to opt out of sectoral wage agreements, particularly in east Germany. Some leading companies such as Robert Bosch have moved to seven-day working to increase the efficiency of electronics factories, while Volkswagen cut pay and working time by one-fifth a year ago as part of a deal with IG Metall to maintain 30,000 jobs.

More broadly, German unions' bargaining stance has been undermined by unemployment of 5m (including people on government employment and training schemes) and the 17 per cent fall in union membership during the last two years. Faced with German manufacturers' willingness to move jobs to lower-cost and less *regulated areas abroad, unions* have had to modify previously entrenched positions.

Consensus system

Illustrated by today's union-employer talks, Germany's consensus-based system of economic management has remained intact throughout the period of unification. While this has undoubtedly aided the country's political stability, it has also increased the overall cost of rebuilding east Germany, reflected in Germany's relatively high tax rates.

Not all impediments to employment can be laid at the government's door. Some reflect deeper cultural or social factors – the gap in technological innovation compared with industrialised country competitors, for example, or the flagging interest in business start-ups among younger people.

But in areas where the government can act to counter obstacles to employment, it is still not doing enough. Although the government's efforts to cut the budget deficit have been more impressive than expected in the last two years, it has relied too much on tax increases and not enough on cuts in spending and subsidies. In the service sector, likely to provide by far the biggest stimulus to job creation in Germany during the next decade, hurdles to expansion are not being dismantled quickly enough, underlined by the cautious approach to privatisation or the slow pace of reform of shopping hours legislation.

Germany's social market economy has shown welcome powers of adjustment to the triple challenges of unification, recession and increased global competition. But if the country wishes to maintain prosperity and economic vigour, the German "model" will need further adaption to secure its survival in the 21st century.

Yes, the EU's gone bananas

Any organisation capable of devising the Common Agricultural Policy might be thought to have tested the outer limits of economic perversity. Yet in concocting its 18-month-old banana import policy, the European Union can claim to have outdone itself. The policy contrives to be immensely costly, while delivering minimal benefits to those it is ostensibly intended to help. On top of that, it has bitterly divided EU governments and the Brussels Commission, and threatens to set off a damaging international trade dispute.

According to a recent World Bank study, the scheme costs European consumers $2.3bn annually by keeping banana prices far above world levels. That is $700m more than the estimated cost of the national import restrictions it replaced. However, the study says, most of the money is pocketed as monopoly profits by marketers and middlemen in Europe. Only $300m reaches producers in the poor African, Caribbean and Pacific (ACP) countries whose interests the scheme is supposed to protect. *Furthermore, the* scheme heavily penalises imports of more efficiently produced Latin American bananas, which many European consumers manifestly prefer to the ACP variety.

These grotesque distortions are not just an affront to economic logic and common sense. They call into disrepute the EU's use of preferential trade arrangements to *aid* developing countries, a central feature of the Lomé Convention. In this case, the impact is doubly pernicious. As well as discriminating in favour of one set of developing countries, the ACP, at the expense of another, the Latin Americans, the policy harms the former group by retarding their inevitable economic adjustment.

Severe damage

For many ACP countries, particularly Caribbean ones, banana exports are a vital source of employment and foreign exchange. Abrupt removal of their preferential access to European markets would inflict severe damage on them. However, these countries' unbalanced development has been actively encouraged by preferential trade arrangements, which have made foreign aid contingent on the continued cultivation of one crop. Sheltered from competition, the producers have had little incentive to become more efficient or diversify.

A saner approach would be to set a timetable for phasing out protection of the EU market and convert some of the savings to consumers into direct aid to ACP countries. That would be cheaper, more efficient and kinder. True, finding economic alternatives to banana production is a tough challenge for many producer countries. But it will have to be tackled at some point, and delay will make solutions no easier.

Possible sanctions

Even supporters of the current policy doubt it can continue much beyond 2002, if that long. It is already the target of a US trade practices investigation, which could lead to sanctions on European exports. It may also be challenged through World Trade Organisation disputes procedures. Though the Lomé Convention is sheltered from the full force of WTO rules by a waiver, this does not necessarily cover the specific import restrictions on bananas.

A Gatt disputes panel has already condemned the EU's preferential banana trade and called for it to be ended. Brussels headed off that ruling by buying off Latin American exporters with bigger quotas. But WTO disputes procedures *are much stronger, and* pressure on trade offenders to implement their findings will be greater. Would the EU really be prepared to jeopardise its own reputation and the WTO's credibility by ignoring an adverse disputes ruling – above all for a cause as indefensible as its banana policy?

That thought should be focusing minds in Brussels on ways of rationalising the policy. At present, debate is deadlocked. But there is an opportunity for Britain, in particular, to play a constructive role. Its strong support for the banana regime blatantly contradicts its professed commitment to free trade. By resolving *that conflict in favour of* a more liberal and enlightened approach, and persuading other governments to do likewise, the UK could do a powerful favour for Europe's consumers, the ACP countries and the integrity of EU policymaking.

Change of key for music market

Alice Rawsthorn explains digital diffusion, which distributes music direct to personal computers

On April 1 1983, the front cover of Music Week magazine carried the smiling face of Richard Branson, then one of the UK's music moguls. The story reported on Mr Branson's plan to close his record company and promote the Music Box, a newly-invented device that received music sent by satellite.

The story was a spoof for April Fool's Day. Yet the $30bn music industry now faces another technological threat – this time from the Internet, the global computer network, that can deliver music and visual images in digital form to personal computers in the home.

At present, this system of delivering music by digital diffusion is at a fledgling stage and dominated by tiny pirate operations. But the "big six" record companies – Warner, Sony, PolyGram, Bertelsmann, EMI and MCA – are desperately trying to take control of digital diffusion to ensure that it becomes an opportunity, not a threat.

"There's no doubt that digital diffusion will become an important part of the market – what we don't know is when," says Mike Edwards, director of operations at the Inter*national Federation of Phono*graphic Industries, which represents the industry. "The $64m question – in fact it's probably worth more than that – is what effect it will have on the balance of power in the industry."

The mechanics of digital diffusion are simple. A piece of recorded music can be "posted" on the Internet by copying it from a compact disc on to a computer hard disc. A consumer with a PC and modem then downloads it on to a sound card to listen to it – and can copy it on to a cassette.

The large music groups already use the Internet to promote their records. Warner recently relayed a sample of Madonna's latest single on the Internet, complete with a message to "all you cyberheads out there". The Rolling Stones broadcast a 20-minute segment of one of their Voodoo Lounge concerts live on the Internet.

However the real potential of digital diffusion is as a means of distribution. This is presently an underground activity pioneered by technology buffs such as Rob Lord and Jeff Patterson, two Californian computer science students. Eighteen months ago, they launched IUMA, the Internet Underground Music Archive from a room in Santa Cruz, using $20,000 of computer equipment. They now charge musicians who have yet to sign up with record companies between $20 and $75 to post their music on the IUMA digital jukebox.

One problem with current digital diffusion services is slowness. It can take 30 minutes to download three minutes of music, which can mean that the telephone call costs more than buying a single.

Another problem is the poor quality of sound and images. The Rolling Stones broadcast filled only a small part of the screen and the images moved at half the speed of video.

Technological advances will gradually yield improvements. But these difficulties pale beside the legal obstacles facing digital diffusion.

The music business is currently protected by a complex web of copyright legislation to ensure that whenever a piece of music is played, the composer, performer *and record company are paid a roy*alty. But there is no provision for paying them when music is digitally-delivered.

It is not illegal for a digital jukebox to distribute previously unrecorded music on Internet. But it would break the law by copying a pre-recorded album such as REM's Monster, produced by Warner, onto a hard disc.

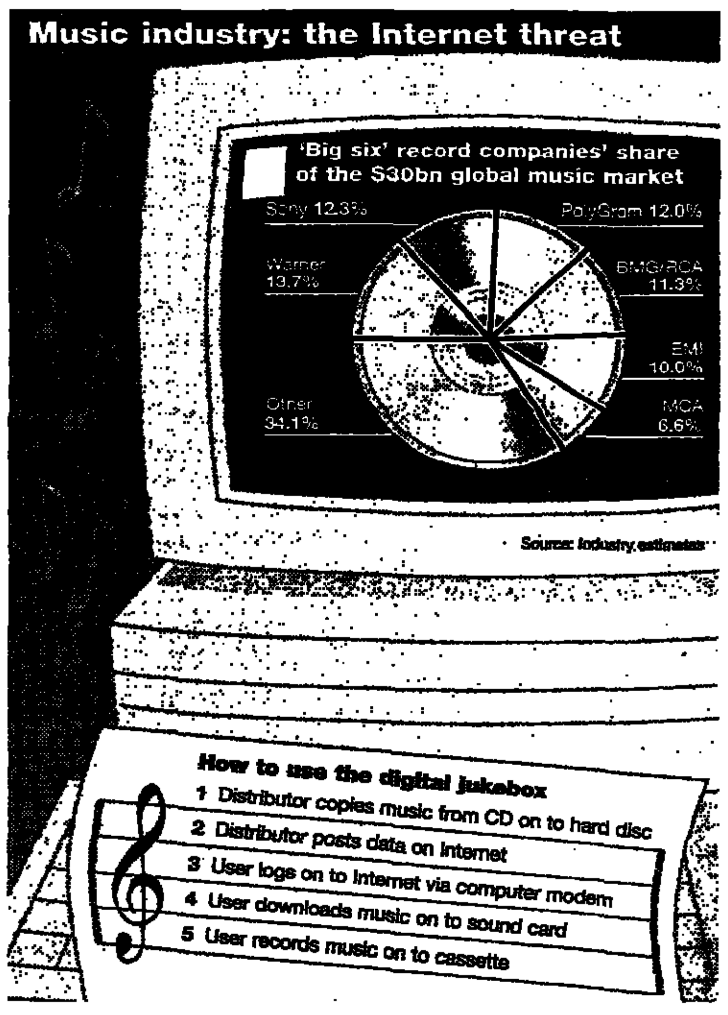
Some digital jukeboxes are already pirating existing recordings. So far the record companies have not taken action against them.

"Digital diffusion is still so small and fragmented that it isn't worth 'surfing' the Internet to look for pirates," says Sara John, director of legal affairs at the British *Phono*graphic Industry. "But the record companies have fought hard for their rights in the past and they'll do it again."

The long-term solution for the industry is to legalise digital diffusion. This would enable record companies to use the medium, rather than leaving it to cyber-pirates.

Meanwhile, some digital services are trying to operate legally. Ricky Adar, a London record producer, is finalising talks with UK industry bodies to agree royalty terms for music played on Cerberus, his digital jukebox.

This means Cerberus would operate legally in its country of origin. But such an arrangement would not adequately protect the industry, since Internet is an international medium. There is almost no protection for music copyright in Bulgaria and Brazil, and a cyber-pirate could operate from such countries



to sell music worldwide.

The industry needs an international system of copyright protection and a universal method of detecting illegal signals. The European Commission is devising new copyright legislation and sponsoring the development of a detection system. This would include "tattooing" the digital signal, and installing a device in every piece of electronic equipment to detect illegal data.

"The technology is ready," says Dominique Gonthier, head of cultural projects in the EC's multimedia programme. "It's up to the industry to get its act together."

To make such a system work, the record companies would have to persuade the electronics industry to install detection devices. This might not be too difficult to arrange, since three of the big six record companies are controlled by electronics groups: Sony, PolyGram (owned by Philips of the Netherlands) and *MCA* (part of Japan's *Matsushita*).

The critical question for the industry is how important digital diffusion will become. Some companies see it as a distant threat.

"We don't see it as a major medium for the next 10 years," says Peter Newcomb, director of media and marketing for Sony Software, who believes that consumers are too attached to collecting CDs and browsing in record shops to switch *en masse to digital* delivery.

Others disagree. First, on-line services are growing rapidly. More than 25m people already use the Internet. It is particularly popular with the "wired" generation of 15 to 25 year olds who are the chief consumers of pop music.

"People in the industry say: 'They'll always want to browse'," says Sara John of the BPI. "I'm not so sure. Today's teenagers have a different relationship to the screen. They see computers as exciting, perhaps more exciting than hanging out in a record shops."

The record companies could gain much from digital diffusion, provided their legal rights are protected. First, the *market might* expand if sales are no longer restricted by the availability of stock in record shops.

Second, if more music is sold directly to the home, record companies will be able to cut costs. A compact disc selling for £12.99 *in the UK* earns £1.05 *for the manu*facturer, 88p for the artist, 44p for the publisher and 44p for producer. *The* retailer claims £3.25 and the record company £4.66 (mostly for distribution), leaving £2.27 for tax. If the music is sold on-line, the record company could save part of the £5.71 spent on manufacturing, distribution and the retailer's £3.25.

However, digital diffusion could also make smaller, independent record companies more competitive against the large music groups. Best-selling artists would no longer be quite so attracted by the international retail distribution systems of the big companies. It would also be easier for young acts to release *their own material.*

"A couple of kids could record and release a dance album on a cheap computer in a back room," says Martin Mills, chairman of Beggars Banquet, the UK group of independent labels. "Creatively that's incredibly exciting. But it isn't good news for record companies."

The big groups will retain some advantages in the digital domain. Global stars such as REM and Madonna will still need to use their sophisticated production and marketing resources. However, the large companies must act swiftly to resolve the legal and technical problems of digital diffusion if they are to retain their dominance of the global music market.

"The problem as always is that there is a gap between technology and legislation," says Richard Constant, general counsel to PolyGram. "We just have to hope that the length of this gap isn't critical."

Tim Dickson looks at prospects for closer economic ties between N Ireland and the Republic

When north meets south

One of the many unhappy consequences of the "Troubles" in Northern Ireland is the way politics has obscured and distorted economic debate.

Now that a durable political set*tlement suddenly looks possible*, the time is right for politicians and business people from both parts of the island to examine prospects for closer economic integration without distraction from siege-obsessed unionists or misty-eyed republicans.

The pragmatists of the past 25 years have been those business executives north and south who have carried on as if the border and political animosities did not exist. Even the most sceptical commentators, however, agree that more co-operation between two small, peripheral economies is valuable, and that the volume of trade between Northern Ireland and the Republic could be increased to the benefit of both *sides. Only* about 6 per cent of the turnover of Northern Ireland companies is sold to customers in the south; about 3-4 per cent of the sales by companies in the Republic go the other way.

An important source of ideas was last year's report by accountants Coopers & Lybrand into the feasibility of developing a Dublin-Belfast economic "corridor". The report - *backed* by the Northern Ireland Confederation of British Industry and the Dublin-based Irish Business and Employers Association – drew on the experience of other international corridors in Europe, the US and east Asia and concluded that there is "potential for significant intra-corridor sales as well as increased exports", provided transport infrastructure and other business links are improved.

The report stopped short of quantifying the likely impact, but in a separate study in 1992 the independent Northern Ireland Economic Research Centre said that "a *challenging target for cross-border trade* in manufactured goods might be to *double it* from £1bn *to* £2bn over five years" and that such an expansion could create about 7,500 manufacturing jobs. It pointed out that this would be more than the number of jobs created by new inward investment in Northern Ireland in recent years.

Cross-border trade is already having a profound impact. For smaller northern companies selling into the south *it is a first step into a Euro*pean export market; for their opposite numbers in the south it could be an intermediate move en route to customers on the British mainland. Besides poor transport links – road and rail journeys between Belfast and Dublin typically take twice as long as those of the same distance between *London* and *Birmingham* – important obstacles for some companies at the moment include a shortage of market information and a fluctuating exchange rate.

For smaller northern companies selling into the south, it is a step into a European export market

Even if such obstacles are overcome, *supporters of increased* north/south integration will have to acknowledge that the process may produce losers as well as winners.

The value of trade across the Irish *border, for example, is* already roughly equivalent to that between Denmark and Sweden as a proportion of the two countries' gross domestic product – arguably an appropriate benchmark given their position on the periphery of Europe and the open, export orientation of the two Irish economies: there are not many customers on the island for the products of Belfast aerospace manufacturer Short Brothers, for example.

In food processing – the one area where there is already significant cross-border corporate activity – the north's smaller companies have received investment and expertise from the Republic's efficient and *streamlined milk and meat produc*ers – but they may not relish further rationalisation. In financial services, further integration would almost certainly build on Dublin's success in promoting itself as an "offshore" *financial* centre, potentially consigning Belfast to a subsidiary role. In some manufacturing sectors the bigger size of the Republic's economy could give its companies competitive advantages.

Any industrial aid policy agreed in Dublin and London would have to address these concerns so that *disillusion does not set in later.* The perils of strengthening north-south links at the expense of east-west ties between Northern Ireland and the British mainland are economic as well as political. Both relationships should be pursued at the same time.

The case for thickening the painfully thin economic links across the island is strong, in private and public sectors alike. It is encouraging that Belfast and Dublin both appear to be going beyond the spirit of European directives in opening public sector procurement markets to companies across the island. Roads and railways are priority areas for greater co-operation, and some see *little reason not to extend that to* better planning of schools and hospitals in the border region.

As with business co-operation, though, it is the economic benefits for the island in a European and international context which should be the main focus of debate.

OBSERVER

European mouldmakers

■ Jacques Santer, the new president of the European Commission, is breaking the mould. In dishing out the portfolios to his eager new team he has forgotten a golden rule – commissioners should not come from the same country as their top civil servant.

Commissioners can bring in their old cronies as their *chef de cabinet to help them with the politics. But* when it comes to director general – the senior civil servant – they are conventionally drawn from a different country in order to ensure their neutrality. It's supposed to help prevent corruption.

So why has Christos Papoutsis, the new European commissioner for energy, ended up with a fellow Greek – Constantinos Maniato-Poulos – as his director general?

The same goes for Papoutsis' fellow socialist Neil "The Wheel" Kinnock, the new transport commissioner. He has inherited fellow Briton, Robert Coleman. Of course Kinnock could always argue *his case is different – because he is* Welsh.

Value-added

■ Further indication that, when permitted, citizens of China will take off like a rocket in the entrepreneurial game.

Using hundreds and sometimes thousands of small-denomination old banknotes – now almost worthless – Chinese artisans are rapidly churning out banknote models of animals, fruit, sailing boats and such-like.

More adventurous spirits amongst trendsetting youth have also taken to wearing necklaces made of coins.

As the craftsmanship gradually turns into a widespread commercial activity, China's central bank has now issued a stern circular, *banning what it calls "unauthorised* decorative use" of the currency.

The bank is rather cross about such innovations. "Such acts seriously damage the prestige of the Chinese currency and harm the image of the central bank," thunders the circular, admitting that "various types of cards, booklets, boxes and balls" now fetch prices higher than the nominal value of the notes and coins.

Observer's thinking of commissioning a four-bed, fold-away apartment.

Get an eyeful

■ So who will sue first – Private Eye or Maurice Saatchi?

Deep within the bowels of Saatchi & Saatchi's London HQ lurks a new publication, the first copy of which has been passed to Observer.

Called Eye Eye, it is a well produced pastiche of the famous satirical magazine Private Eye.

There are some excellent jokes within – mostly shamelessly stolen from Private Eye – and some old chestnuts such as – "Knock-knock. *Who's there?* Maurice. *Maurice Who?* It's a tough world, advertising."

Perhaps page 14 captures the true spirit of the mag. It's a spoof of Saatchi's famous "pregnant man" poster, showing four of the images of the pregnant man on which are superimposed the heads of several defectors to Maurice Saatchi's new outfit.

The caption: "Shouldn't you have been more careful before getting into bed with Maurice?"

Wall game

■ According to market strategists at SG Warburg in New York, Super Bowl theory states that a win by a National Football League team indicates the stock market will rise.

In this Sunday's game the San Francisco 49ers (the NFL team) are favoured to beat the San Diego Chargers. Ranks about on a par with the hem-line index?

Africa calling

■ The FT's circulation in Sierra Leone is limited, but if one of the rebel leaders engaged in that country's conflict happen to read this, will they please ring 44-171-747-6400? They should ask for the office of Chief Emeka Anyaoku, secretary general of the Commonwealth in London, who is prepared to mediate if called upon.

The chief's problem was how to communicate with the rebels, when phone lines are down and usual diplomatic channels unavailable.

Yesterday he came up with an unorthodox but simple answer; he broadcast his office number during an interview with the BBC World Service 'Focus on Africa' programme.

African presidents have been known to interrupt cabinet *meetings to* listen to it; rebels across the continent tune in to it.

Who knows, they may now even negotiate through it.

Helmsmanship

■ Stalwart Republican Jesse Helms may now be chairman of the US senate foreign relations committee, but that elevation doesn't necessarily mean a profound grasp of foreign affairs.

Helms yesterday had the secretaries of state and defence in front of him to justify US policy towards North Korea.

In his preamble Helms referred to North Korea's new ruler as "Kim Jong Two". The new boss in Pyongyang is actually Kim Jong-il; so maybe Helms needs new spectacles.

Still, by the time the Republicans sort out their foreign policy we might be on to Kim Jong-Three.

The Financial Times

100 years ago

The crisis in Greece
Advices received from Athens state that very great excitement prevailed throughout the country, demonstrations being held daily in the capital and other towns. The streets were occupied by patrols and the Chamber of Deputies was guarded during the sittings.

The proposed increase of the corn and houses taxes, and the other imposts, was goading the impoverished people in the provinces to exasperation. Troops dispersed the crowds which were gathering about the approaches to the palace in order to appeal to the King.

50 years ago

War expenditure
"During recent weeks," said Sir John Anderson, Chancellor of the Exchequer in the House of Commons yesterday, "our total war expenditure has averaged a daily rate of approximately £14,250,000, of which about £12,500,000 a day had been on the fighting and supply services." During the report stage of the Supplementary Votes of Credit, a further vote of £1,000,000,000 was agreed to without a division, making a total of £5,250,000,000 for the current year.

FINANCIAL TIMES
Wednesday January 25 1995

Kobe edges towards normality

Stoicism amid the sufferings of Japan's earthquake victims

By William Dawkins in Kobe

Mr Fumiako Nakamura, a 38-year-old marketing executive, got out of bed at 4.30am yesterday at his home in Kobe, put a banana in his pocket, and set out for the two-hour walk to the pharmaceutical company where he works in the neighbouring city of Osaka.

It was Mr Nakamura's first appearance at the office since an earthquake struck Kobe a week ago, killing more than 5,000 people.

Buildings on both sides of his suburban property were wrecked. He was among the many thousands stoically trying to piece together their lives yesterday, the first day of relative calm since the quake and ensuing fires, rain, landslides and aftershocks.

Flowers placed on the ashes of a nearby house had started to wilt, and dust had started to cover a clutch of soft toys in the wreckage of another. People began to think again of daily needs, such as finding an open supermarket and continuing to earn the money to pay off the loans on their wrecked houses.

High school children returned to class and shops were reopening, albeit with a very limited choice of food. The homeless could be seen throughout Kobe, pulling their belongings from the rubble, in defiance of city authorities' warnings that the continuing risk of aftershocks made it dangerous.

During the day, an Osaka-Kobe bus service opened, perhaps making it possible for the footsore Mr Nakamura to ride home from work. Ships began to dock at the port in greater numbers, four per day compared with the usual 20. Relief vessels only are being accepted, since many unloading cranes are still wobbly and parts of the quayside look like a battlefield.

Road traffic started to move a little more freely, as police turned away non-essential vehicles from Kobe. Construction workers were well on the way to shoring up cracked overhead expressway supports and smoothing out buckled sections of road.

Life for the 300,000 homeless, mainly in tents in school playgrounds or communal dormitories in public buildings, has started to reach something like a routine. Most such centres appeared to be adequately stocked with food and water containers, and a minimum of medical care.

But it is bitterly cold and the aftershocks are not over yet. Many women with children have already been moved out to relatives or safe accommodation in Osaka, leaving single men and the old in the majority in the camps. They make a lopsided, sad community.

Mr Toshihiro Yoshisaka, neatly dressed despite the fact that he has been living under plastic for a week, explains that he stayed in Kobe after sending his wife and two children away so as not to lose his job, as a maker of boxed lunches for salarymen. "Now that we have survived last week, we have got to think of today. Without a job, there is no future for us," he says.

A few hundred yards away, four men pick over a heap of tiles and timbers, the remains of their homes, hoping to save anything of value that might remain. For them, as for most victims, insurance covers only a small fraction of the damage. They, too, have sent their families away. One of them, Mr Tadashi Yamauchi, says he will stay in Kobe so long as there is a chance of returning to work at Hakutsuru, the leading sake brewer whose nearby factory was closed by the quake.

While stoical, the survivors are not uncritical. Some speak with bafflement at the fact that they saw no police or official rescue for a day or two after the quake. Dr Yakushi Harada, director of the main hospital, Rokko Island Hospital, says he and his staff have distinctly mixed feelings that his 250 patients were left without any official assistance for three days.

His staff had to scrounge food for the patients from the nearby Sheraton hotel until help arrived. Even yesterday, the hospital was still without water, as was much of the rest of Kobe – a state of affairs which prompted the apparent suicide of Mr Takashi Nakanishi, chief of Kobe's water supply operations department, who jumped to his death from his office window.

But the exhausted Dr Harada has little inclination or energy to pass blame. He says: "The quake was so much bigger than Kobe could have imagined, that we could not have expected things to have been done any better."

Japan's trade surplus at record high, Page 4

THE LEX COLUMN

Merger medicine

Successful unsolicited bids in the drugs industry were deemed impossible just six months ago. Then American Home Products stormed American Cyanamid with a $9.8bn offer; now Glaxo is bidding £9.4bn for Wellcome. The logic for such deals means more will follow. Governments' and health providers' increasing cost-consciousness is damping sales growth. Meanwhile, margins are being squeezed as research and development costs escalate. Many companies have reacted by slashing costs. But cost-cutting by individual companies can only go so far.

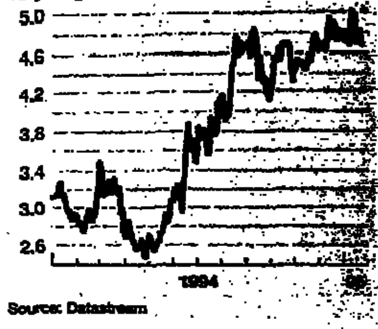
In the long term, only those capable of developing innovative medicines will survive. The best way to find such drugs is through the biotechnology revolution. But biotechnology does not provide immediate help. In the meantime, mergers allow for vigorous rationalisation of research and development and distribution arms.

One barrier to consolidation is the desire of some managements to continue running fiefdoms. There are middle-ranking groups that admit their dilemma: Marion Merrell Dow has appointed bankers to assess its future; Warner-Lambert has divided itself into three divisions which would make it easier for it to be absorbed into larger groups. In contrast, companies like Upjohn, Ares-Serono, Pharmacia, Schering, Fisons and Zeneca still insist their future is independent. Similarly, the Japanese companies show no sign of consolidating. Those unwilling to merge voluntarily may soon find themselves forced into shotgun marriages.

FT-SE Eurotrack 200: 1355.2 (+8.7)

Italian bonds

Yield differential between Italian and German 10-year government bonds



Source: Datastream

Italy

Mr Lamberto Dini has been applauded by financial markets in anticipation of a victory this morning in his spar with Mr Silvio Berlusconi, the former prime minister. The stock market fell slightly yesterday, but it is 16 per cent above its mid-December nadir. The response is understandable. Mr Dini's policies would achieve fiscal and political improvements that are the stuff of investors' dreams. Pension fund reform is a political timebomb, but it is vital for tackling Italy's vast national debt. A mini-budget would provide relief for the government's short-term financial difficulties, while changes to the electoral system and media ownership rules would be welcomed.

However, there are many more rounds of fighting before Mr Dini can produce any trophies and he may lack staying power. The fragility of Mr Dini's power base will be exposed in today's vote of confidence. His natural allies, the old Berlusconi coalition, will largely abstain. Meanwhile his support from the left is hardly rock solid. Their sole common interest is averting immediate elections.

Mr Berlusconi has spent nearly a year fighting to retain his political power. He pulled his punches this week, but he will not retire without vicious fighting. Mr Berlusconi needs an election while he retains momentum and controls much of the media. He must prevent Mr Dini from becoming entrenched. Such uncertainty limits the upside for bonds and equities. Recent rises represent an opportunity to take profits.

Baby Bells

Baby Bell shareholders are having to learn to live with little or no dividend increases. The strong US economy is driving forward earnings at most of the seven regional phone groups, as shown in the past week's batch of results. But zero or, at best, meagre dividend rises are likely to be the order for years to come.

The dividend policy has its origin in the high payout ratios of the early 1990s. Despite several years of low dividend growth, the payout ratio for most Bells is still around 70 per cent. Large dividend increases are no longer sustainable given growing demands on cash flow. Though it will take several years before competition in the "local loop" from cable television operators eats into the Bells' market share and forces price cuts, the companies are already having to step up investment.

From this year, capital expenditure in broadband networks to build the so-called superhighway will become significant. Once the results of the current auction of personal communications licences are known, many Bells will need to boost investment in wireless networks. When they are freed to compete in the US long-distance market, that will be another call on their cash flow. Add to all that the opportunities to invest overseas, as witnessed by yesterday's deal between BellSouth and Germany's Thyssen, and the need to rein in dividend growth becomes clear. Investors would not like it in the short run but there is even a case for the Bells cutting their dividends.

Executive pay

Mr Cedric Brown, British Gas' chief executive, acquitted himself stoically at the Commons yesterday. But anybody hoping the executive pay controversy will fade away is likely to be disappointed. In fact, the Institute of Directors' new code on the topic – calling for full disclosure of directors' pay and perks – could fuel the controversy. Each new disclosure will keep the issue in the public eye.

Industry has belatedly launched a damage-limitation exercise. The IoD code follows last week's establishment of a committee of the great and good to investigate the issue. But its main suggestion – relying on investors to check excessive pay – is unrealistic. No financial model of British Gas would register Mr Brown's £475,000 ($741,000) salary as even a blip, since profits are about 3,000 times as big. One can argue that shareholders should be concerned because excessive executive rewards damage employee morale. But until investors start paying attention to such touchy-feely issues, it is wishful thinking to suppose they will restrain executive pay.

The other strain of the damage-limitation exercise is to make a scapegoat of privatised utilities. A common argument is that people running monopolies or near-monopolies do not need big salaries. That may seem a convenient way of diverting attention from executive salaries in general. But it is nonsense. Monopolies need good executives as much as any other company. If executives are not up to scratch, the answer should not be lower pay but the sack.

Additional Lex Comment, Page 26

Battle over formats for video-CDs

Continued from Page 1

battle. Philips yesterday said that it was still studying the specifications of the rival video standard. It tried to play down the likelihood of a video "war" but said it hoped a clash between opposing formats could be averted.

"We're still in the technology phase, not in the product phase itself," a company spokeswoman said.

If a video-CD battle does erupt into a format war, it will spill over from the electronics sector to the entertainment industry.

The Toshiba camp can call on the support of Warner Brothers, the Time Warner movie studio, and Universal, now a Matsushita subsidiary, to release films in its format. However Sony and Philips also have significant film interests. Sony owns the Columbia and TriStar studios, while Philips controls PolyGram Filmed Entertainment.

Matsushita, MCA, its US movie studio, and MGA/UA announced they would market the new discs and disc players in 1996. Two hundred and fifty films will be available when the disc players are launched, the companies said.

Also backing the digital disc format were Victor Company of Japan, Mitsubishi Electric, Nippon Colombia (Denon) and Turner Home Entertainment.

The digital video discs will hold up to 270 minutes of video on two sides and have the capacity to carry up to eight languages and 32 sets of subtitles.

British Gas chief defends large pay rise before MPs

By John Kampfner, Westminster Correspondent

Mr Cedric Brown, chief executive of British Gas, was in the dock yesterday, defending his large pay rise to a select committee of MPs yearning to display their populist passions.

For more than an hour, Mr Brown battled to prove that his salary of £475,000 was not only commercially, but also morally, justified.

Mr Brown had been invited to appear before the commons employment committee, along with Sir George Pitcher of North-west Water and Mr James Smith of Eastern Electricity.

The three are among several heads of privatised utilities whose salary packages have caused an outcry inside and outside parliament. The issue led to angry exchanges yesterday between Mr John Major, the prime minister, and Mr Tony Blair, the Labour leader.

Mr Brown's performance was robust, but appeared to leave the 11-strong employment committee less than convinced.

He was at pains to point out that, contrary to conventional wisdom, his pay had risen by 28 per cent, not 75 per cent. His package had simply been restructured.

Mr Harry Greenway, a Conservative backbencher, asked Mr Brown if he was a team man. Mr Brown looked puzzled. "Absolutely," he replied.

In that case, Mr Greenway asked, would he not consider taking a cut in salary, perhaps by £5,000? Mr Brown said he would if British Gas's renumeration committee insisted. How about £10,000? "Quite frankly," Mr Brown interjected, "I think we're getting away from the point."

Mr Brown said his earnings represented "the median level" compared with other companies. "Notwithstanding running the seventh-largest company in the country, to my knowledge there are at least about 50 or more chief executives earning more than that."

"How old are you Mr Brown?" asked Ms Angela Eagle, a Labour backbencher.

She wanted to know about his pension. Ms Eagle asked Mr Brown to confirm that his pension increase would cost the pension fund £750,000. Mr Brown said he had not calculated the amount. The bit between her teeth, Ms Eagle juxtaposed his financial situation with that of British Gas salesroom staff who had been told their £13,000 annual salary was uncompetitive.

"How much do you earn a day, Mr Brown?" Ms Eagle continued. He said he had not worked it out. She helped him. "About £1,000 a day."

It was left to the chairman, Labour's Mr Greville Janner, to extract an admission that mistakes were made. "Did you expect this tidal wave of indignation?" he asked.

"No," conceded Mr Brown.

"Looking back, do you not agree that the whole way this new remuneration package was handled was at the very least highly insensitive and tactless?"

"It could have been handled better."

Justice on executive pay, Page 16
See Lex

Industry chiefs attack Swedish policies

Continued from Page 1

minister, said yesterday he was confident the government's measures would stabilise the public debt – now at 90 per cent of gnp – by 1997 and stimulate growth.

The executives include Mr Bert-Olof Svanholm, the chairman of Volvo, Mr Lars Ramqvist, chief executive of Ericsson, the telecommunications group, Mr Leif Johansson, chief executive of Electrolux, the world's leading household appliance supplier, and Mr Bo Rydin, chairman of SCA, Europe's biggest forestry products group.

Mr Svanholm and Mr Ramqvist were also among a group of industrialists who issued a similar warning of the risks of Social Democratic tax policy in a newspaper article before the election.

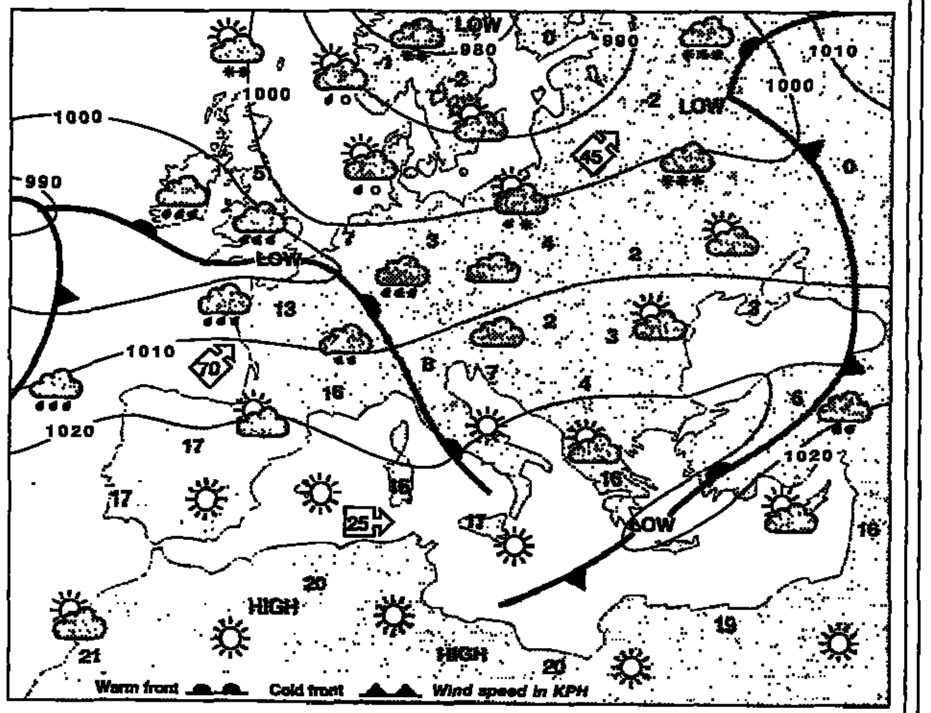
FT WEATHER GUIDE

Europe today

Low pressure will dominate the British Isles, France, the Low Countries and Germany. Plenty of rain is expected in a wide band from Ireland to the western Alps. Unseasonably high temperatures in France will raise the freezing level to about 2,000 metres in the Alps. North-west Spain will have cloud and rain. High pressure will still dominate central and southern Spain and all the Mediterranean, giving bright and sunny conditions. Scandinavia is expected to be rather cold with a risk of snow showers along the Norwegian coast. A mixture of sun and cloud is expected in eastern Europe.

Five-day forecast

A deepening low pressure system will move across the British Isles into central Russia. Rain associated with this low will sweep through the British Isles, France and Germany and snow is expected in southern Scandinavia. The thaw in the Alps will continue, with occasional rain. The Mediterranean will stay dry and sunny as high pressure over Africa moves north.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	0	Caracas	cloudy	28	Faro	fair	17	Madrid	fair	14	Rangoon	sun	29
		Celsius	Belfast	cloudy	4	Cardiff	rain	8	Frankfurt	rain	7	Majorca	sun	18	Reykjavik	sun	-3
Abu Dhabi	sun	23	Belgrade	fair	8	Casablanca	sun	17	Geneva	rain	11	Malta	sun	17	Rio	fair	28
Accra	fair	32	Berlin	cloudy	4	Chicago	fair	-3	Gibraltar	sun	17	Manchester	rain	5	Rome	fair	15
Algiers	sun	20	Bermuda	shower	21	Cologne	rain	7	Glasgow	fair	2	Manila	cloudy	30	S. Frsco	shower	12
Amsterdam	shower	7	Bogota	cloudy	19	Dakar	fair	26	Hamburg	cloudy	5	Melbourne	cloudy	23	Seoul	fair	4
Athens	sun	17	Bombay	sun	31	Dallas	rain	12	Helsinki	fair	0	Mexico City	fair	21	Singapore	shower	31
Atlanta	sun	12	Brussels	rain	8	Delhi	sun	21	Hong Kong	cloudy	21	Miami	fair	22	Stockholm	fair	-2
B. Aires	fair	28	Budapest	cloudy	2	Dubai	sun	23	Honolulu	fair	28	Milan	cloudy	8	Strasbourg	rain	12
B.ham	rain	6	C.hagen	shower	4	Dublin	rain	7	Istanbul	fair	9	Montreal	snow	-3	Sydney	fair	25
Bangkok	fair	34	Cairo	fair	18	Dubrovnik	sun	12	Jakarta	shower	31	Moscow	snow	-5	Tangier	fair	17
Barcelona	sun	17	Cape Town	fair	27	Edinburgh	fair	3	Jersey	rain	13	Munich	rain	6	Tel Aviv	fair	18
									Karachi	fair	27	Nairobi	fair	27	Tokyo	fair	10
									Kuwait	fair	18	Naples	fair	14	Toronto	snow	0
									L. Angeles	shower	14	Nassau	fair	24	Vancouver	rain	11
									Las Palmas	sun	22	New York	fair	4	Venice	fair	6
									Lima	cloudy	27	Nice	shower	14	Vienna	cloudy	2
									Lisbon	cloudy	16	Nicosia	sun	18	Warsaw	cloudy	3
									London	rain	8	Oslo	sun	-1	Washington	fair	8
									Lux.bourg	rain	8	Paris	rain	14	Wellington	shower	20
									Lyon	rain	15	Perth	fair	31	Winnipeg	sun	-8
									Madeira	fair	19	Prague	rain	3	Zurich	rain	9

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday January 25 1995

IN BRIEF

Siemens up 8% as demand rises

Net profits at the Siemens group grew 8 per cent to DM448bn ($298.6m) in the three months to the end of December, in spite of further heavy spending on restructuring. The German electrical and electronics group announced that domestic business improved for the first time in two years. Page 25

Fiat to cease Alfa Romeo sales in US
The Fiat group of Italy is to cease selling its Alfa Romeo cars in North America from the end of the year in the face of mounting losses. The move, a decade after it stopped selling cars under the Fiat brand name in the US, leaves the Italian carmaker with only the specialist Ferrari marque in North America.

French bank warns on operating profits
Société Générale, one of France's largest banks, said that its profits for 1994 would at least equal the previous year's of FFr3.6bn ($689m).

It said operating profits would be lower than the FFr12.3bn reported in 1993, but the decline would be offset by lower provisions and a growth in some specialised areas of business.

Baer hit by weakness in trading
Baer Holding, the Zurich-based asset management group, has reported consolidated net income of SFr104.4m ($82.5m) for 1994, down 29 per cent from the exceptionally high level achieved in 1993. Page 20

Solvay back in black for year
Solvay, Belgium's largest chemicals group, staged a sharp turnround last year, reporting a net consolidated profit of of BFr8bn ($378.7m) compared with a loss of BFr6.91bn in 1993. Page 20

UAL posts first fourth term profit
UAL, the holding company for United Airlines, the biggest airline in the US, reported its first fourth-quarter profit since 1989, with net income of $11m in the period to December. Page 24

Turnround for Northern Telecom
A strong fourth-quarter recovery has set the stage for Northern Telecom, the Toronto-based telecommunications equipment maker, to mount an expansion drive. Page 24

A rough ride for Mexican car industry
The drastic devaluation of the Mexican peso brings mixed news to the country's car industry. "The devaluation is going to be good for exports, bad on the domestic side and overall we are going to lose our shirts," said Mr Rodolfo Weber, an executive at Ford. Page 25

Gold mines fare badly for JCI
Gold mines within the Johannesburg Consolidated Investments mining house, due to be spun off to black investors as a separate company later this year, have reported poor results for the quarter ending in December. Page 25

Meggitt sacks six US plant managers
Meggitt, the UK electronics and engineering group, has sacked the entire management team at one of its main US subsidiaries after they failed to stem losses, forcing it to issue a profits warning. Page 26

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	650	+	20
Lahmeyer	580	+	10
Porsche	643	+	12
Falls			
BW & Berg	725	–	13
RWE	415	–	6.6
Zanders	227	–	4
NEW YORK ($)			
Rises			
Am Home Prd	66¾	+	⅝
Chevron	46½	+	⅝
Dean Witter	36¾	+	1⅛
NYNEX	37⅞	+	¾
Falls			
Dr Pepper	30¾	–	⅛
Joan & Jnsn	55⅞	–	¼
LONDON (Pence)			
Rises			
Flodech	393	+	19
Jeyes Group	184	+	17
Kewill Sys	261	+	18
Falls			
Centors	131	–	17
Leeds Grp	250	–	20
Prudential	295	–	14
TORONTO (C$)			
Rises			
BCE Inc	42¼	+	⅜
Nthn Tele	46⅛	+	⅞
Shell Can	42¼	+	¼
Falls			
Alcan Alum	35¼	–	¼
Rothmans	97½	–	1½
Trizec Auto	6	–	½

PARIS (FFr)			
Rises			
Air Liquide	727	+	18
Canal Plus	793	+	13
Falls			
BNP	228.6	–	6.9
Cred Local	359.5	–	9.2
Immobanque	790	–	28
Taittinger	2052	–	98
TOKYO (Yen)			
Rises			
Hit Kokl	999	+	49
Okmura Gumi	895	+	61
Toyo Const	545	+	48
Yuasa Corp	590	+	39
Falls			
Daishowa	609	–	70
Izumiya	1750	–	100
HONG KONG (HK$)			
Rises			
Cheung Kong	25.3	+	0.45
Hutchison	25.9	+	0.85
Wharf Hldgs	22.35	+	1.10
Falls			
First Pacif	4.3	–	0.38
Guoco Grp	24.0	–	1.05
Wing Hang Bk	14.2	–	0.70
BANGKOK (Baht)			
Rises			
Praslt	40.75	+	2.5
Siam	35.0	+	3.0
Thai Rubber	33.25	+	3.0
Falls			
Adkam Thai	35.0	–	3.0
Saico	14.0	–	1.25
Unique Gas	154.0	–	15.0

New York and Toronto prices at 12.30pm

Success in long-distance wars produces earnings of $1.34bn and 11% sales growth

AT&T exults in 'best ever quarter'

By Tony Jackson in New York

AT&T, the telecommunications giant, underscored its success in the recent US long-distance phone wars with a fourth quarter performance described as its "best ever quarter by almost any measure".

Net earnings rose 73 per cent to $1.34bn, while quarterly sales growth of 11 per cent was the highest since the company was obliged to hive off its local telephone companies in 1984.

The company said its "more pro-active marketing strategy" had added 1m residential customers in the US last year, reversing the slide in its share of the long-distance market. AT&T and its smaller rivals, MCI and Sprint, have been involved in a battle involving discounts to customers and "knocking" advertisements. Ploys have included sending cheques of $50 or more to to individual homes to induce them to switch accounts.

For the year as a whole, net earnings were up 27 per cent at $4.7bn on sales up 8 per cent at $75.1bn. Results from McCaw, the leading US mobile phone company acquired for $11.5bn last September, were included in both years for purposes of comparison.

AT&T said that without the costs of the merger, net earnings would have been $4.9bn. McCaw's customers rose 44 per cent to 2.8m in the year, with its contribution to AT&T's sales up 33 per cent in the quarter to $629m and 30 per cent for the year to $2.8bn.

Sales of telecoms equipment were up 18 per cent in the final quarter to $3.3bn, a rate which AT&T's chief financial officer Mr Richard Miller said outpaced the industry as a whole. International growth was close to 20 per cent, led by Asia Pacific.

AT&T's computer business, Global Information Solutions (formerly known as NCR), crept into the black at the operating level, with profits of $2m for the year ($45m for the quarter) on annual sales up 22 per cent at $4.2bn. Mr Miller said that while the business had enjoyed rapid growth in personal computers, there had been continuing severe price competition.

For the group as a whole, costs increased by only 7.8 per cent in the quarter. However, operating expenses rose by 10.3 per cent, as a result of higher advertising and marketing spending on long distance, international expansion and spending on adding cellular subscribers. Operating margins for the quarter rose from 9.8 per cent to 10.5 per cent.

The company said it was constrained from commenting on the outlook for this year by the impending sale by British Telecom of its block of AT&T equity. A roadshow to promote the stock to investors began on Monday. Mr Millar said, however, "our targets have not changed".

American Brands puts UK shops and pans up for sale

By Richard Tomkins in New York

American Brands, the diversified US consumer goods group that recently agreed a sale of its insurance business and pulled out of the domestic tobacco industry, is putting two more companies on the market. They are Prestige, a leading UK manufacturer of stainless steel cookware, and Forbuoys, a UK chain of 695 confectionery, tobacco and newspaper shops.

Together, they had sales of $752m and net losses of $3m in 1994. It is understood that Forbuoys is profitable, and that the losses came from Prestige.

American Brands said it was selling the companies, along with other unspecified businesses and product lines, in line with its plans to position itself as a consumer products company with "powerhouse" brands and leading market positions.

Last July it sold its Dollond & Aitchison UK optical business for $146m. In November it agreed to sell Franklin Life Insurance to American General for $1.17bn, and in December it completed the sale of American Tobacco, its domestic cigarette company, to BAT Industries of the UK for $1bn.

American Brands expects to get between $150m and $175m from the latests disposals.

The company accompanied the announcement of the disposals with its results for the fourth quarter to December showing pre-tax profits of $332.9m on the disposal of businesses, consisting of a $578m profit on the sale of American Tobacco less charges of $245m on the other disposals, mainly Franklin Life.

This figure included the expected proceeds of the Prestige and Forbuoys disposals.

Partly as a result of the net gain, net income shot up by 44 per cent to $269m, or $1.33 per share, from $187m or 92 cents per share last time. Much of the rest of the increase came from American Tobacco, which still appears in the figures even though it has been sold. Its operating profits recovered from $10.5m to $73.4m following last year's the truce in the US cigarette price war.

International tobacco, consisting of the UK-based Gallaher Tobacco, raised operating profits by 11 per cent to $160.3m, with big gains in exports more than offsetting a 0.9 per cent decline in UK sales volumes.

In the distilled spirits division, strong international sales of Jim Beam failed to offset weakness in the US market, and Whyte & Mackay suffered intense competition in promotion and pricing. The divison's operating profits edged ahead by just 0.4 per cent to $106.1m in spite of the inclusion of Invergordon for its first full year.

For the full year, net income rose by 56 per cent to $734.1m, but American Brands said earnings per share from continuing operations, excluding gains on disposals, were 15 per cent ahead at $3.06.

Albright clear to float

Trevor Humphries

Robin Paul (left) and Michael Winstanley of Albright & Wilson as UK chemical group published its pathfinder prospectus. Page 26

Euro Disney cuts net losses 80%

By Andrew Jack in Paris

Euro Disney, operator of the Paris-based theme park, yesterday reported an 80 per cent fall in net losses for the first quarter of the year to FFr109m ($20.6m), reflecting a substantial reduction in financial charges since its restructuring last summer.

The company also reported an improvement in visitor attendances and a 3 per cent increase in operating revenues – in spite of a reduction in hotel prices last year – to FFr854m, which it said set it well on target to break even by the middle of 1996.

"This is the first time we have shown an increase in revenues despite lower prices," said Mr Philippe Bourguignon, chairman.

"It is a turning point which we see as the most encouraging thing in the results. There is progress, although there is still work to do."

Euro Disney shares rose nearly 5 per cent in Paris to close at FFr10.40.

The first-quarter net losses included a reduction in financial charges of about FFr300m as a result of a FFr13bn restructuring last June. The company said operating margins also rose.

Euro Disney refused to provide detailed quarterly figures on attendance or hotel occupancy but said both improved "quite significantly".

The number of visitors is believed to have risen by about 10 per cent with occupancy increasing by slightly less.

The rise in operating revenues comes in spite of a reduction in hotel tariffs and a fall in spending by visitors.

The price cut was introduced in January last year as part of a wider review of prices. Euro Disney plans to lower entrance fees from April by 22 per cent for adults and 14 per cent for children.

Hotel revenue has traditionally accounted for about half of all revenues from guests, with a further quarter coming from gate prices and the remainder split evenly between spending on merchandise and food and drink.

In the full year to September 30 1994, the number of visitors fell 10 per cent to 8.8m. The company said the decline primarily reflected rumours about the park's possible closure last year. Hotel occupancy in the period rose from 55 per cent to 60 per cent.

New Saatchi takes on Saatchi in BA prizefight

By Diane Summers, Marketing Correspondent

Mr Maurice Saatchi, the deposed chairman of the Saatchi & Saatchi advertising group, is to get his first chance to compete head-on with his old agency pitching for British Airways' £60m ($93m) worldwide advertising account.

BA announced yesterday that four agencies were in the frame: Saatchi & Saatchi; New Saatchi, as Mr Saatchi's rival agency is provisionally called; J Walter Thompson; and Bartle Bogle & Hegarty.

Mr Saatchi announced the formation of New Saatchi two weeks ago but the agency does not yet have an address or telephone number.

Sir Tim Bell, a former associate of Mr Saatchi, has been dealing with inquiries from potential clients. Sir Tim confirmed that New Saatchi would be competing for the account, which includes media buying.

BA said the agencies had been selected "because of their excellent potential". Those competing will be asked to review the BA business and prepare a case within eight weeks.

The news of the pitch list came as the rival Saatchi companies prepare for the first round of a legal battle which will take place in the UK and the US. Writs from Saatchi & Saatchi issued against Mr Saatchi and other senior executives, allege conspiracy to damage the business. The first hearings are due to take place in London in early February.

Saatchi & Saatchi, which is anxious to rename its holding company to distinguish it from its advertising group, is expected to draw up a list of alternative names by the end of the week.

BA, which has had its award-winning advertising produced by Saatchi & Saatchi for the past 11 years, earlier this month gave the agency four months' notice that it would be terminating its contract. The notice followed the departure of Mr Saatchi and a number of other leading executives from the Saatchi agency

Mr Robert Ayling, BA's managing director, wrote to Mr Charlie Scott, Saatchi's acting chairman, informing him of termination, but added that the agency could, in theory, win the business back.

Lord King, BA president, also expressed his displeasure with Mr Saatchi's ousting and said the shareholders' revolt raised corporate governance issues.

The Saatchi & Saatchi advertising agency said yesterday it was "delighted to be invited to participate" in the BA review. "We are looking forward to demonstrating our strategic thinking," it added.

Barry Riley

Wrestling with the B-word after blue Monday

A deep blue, if not exactly black, Monday this week emphasised the scale of the negative influences on stock markets around the world. Tokyo's loss of nerve was an especially worrying feature. But at what exact point should we formally declare this a bear market?

According to Baring Securities' global strategist Michael Howell, newspapers carry a particular responsibility for market sentiment. He recently noted that neither the Financial Times or the Wall Street Journal had carried a headline about a bear market. Such provocative use of the B-word, when it came, he added, would cause a further downward lurch in prices.

The Journal has little reason to talk in bear market terms. Wall Street remains steady while stock markets around it collapse in disarray. This is true anyway, of the Dow Jones Average, which is demonstrating astonishingly low volatility: it is only 3 per cent lower than its year-old peak.

But the big blue chips in the Dow have held up rather better than the broader market. Instead of the famous Nifty Fifty of the 1960s we appear to have the Perky Thirty. Elsewhere, however, utilities are off about 20 per cent from their peak, and the broad equity indices are down slightly more than the Dow.

In London, however, recent weakness has made it seem more likely that the market will fall below last June's low, which itself was an 18 per cent fall from the peak. However, it is still 3 per cent above that June low.

A bear market is, of course, a matter of definition. A decline of a quarter is a good rule of thumb. The chartist Robin Griffiths of James Capel says that bear markets vary in severity but tend to be grouped into certain categories, with declines of 25, 33, 50 and 75 per cent.

The classical pattern consists of an initial sharp fall, then a substantial recovery, possibly over several months, and finally the cruel climactic drop. The whole process typically takes 12 to 18 months.

But in the 1987 crash the adjustment was concentrated within a few days. Why the difference? My explanation is that the crash was essentially the correction of a bubble in which valuations had become seriously distorted. This was shown by the simultaneous fall in bond yields and rise in equity yields. The current pattern, if it holds, is of a more normal bear market where a tightening of credit squeezes the demand for securities.

> Markets have collapsed roughly in proportion to the amount of American money in them

In Monday's shakeout both bonds and equities were weak, pointing to a shortage of investment capital. However, the bond market can be expected to begin to recover ahead of equities; indeed, bond yields in many markets are holding below last year's highs.

A bear market is clearly ruling in Hong Kong, where the initial decline last year took the Hang Seng Index down 31 per cent between January and early May, followed by a recovery of about half the fall by September. By this Monday's close the overall decline had stretched to 43 per cent.

The globalisation of stock market investment has complicated bear market patterns. Generally, markets have collapsed roughly in proportion to the amount of American money in them. Thus, Mexico and Hong Kong have fared the worst.

But currencies have added a new layer of risk. Mexico is down 59 per cent in dollars but only by 24 per cent measured in pesos. It is a major or minor bear market according to your point of view.

Americans have therefore triggered a remote bear market. Repatriated capital, albeit depleted by losses, is available to support the domestic market. But it is unlikely that the impact on Wall Street will be avoided – only delayed.

Meanwhile Michael Howell considers that the declaration of a bear market in an FT headline could stimulate the final sell-off in the UK. In the US, however, contrarians rely on the fact that the media tend not to respond until the final stage is almost complete. A picture of a rampaging bear on the cover of Business Week or, better still, Time magazine is therefore a buying signal.

But with Wall Street still brushing aside the global weakness we shall not see such a front cover for some time.

Siemens up 8% as demand rises

By Christopher Parkes in Frankfurt

Net profits at the Siemens group grew 8 per cent to DM448bn ($298.6m) in the three months to the end of December, in spite of further heavy spending on restructuring.

New orders rose 4 per cent in the review period, as the effects of the economic recovery began to make themselves felt in the German market. Domestic business improved for the first time in two years, the electrical and electronics company said yesterday.

Increased demand, already apparent in the year to the end of September, and until now concentrated largely in divisions supplying components, was now feeding through to industrial sectors and the Siemens Nixdorf computer business, where new orders totalled DM2.8bn, up 17 per cent.

European industry's increasing readiness to invest led to a 4 per cent rise in plant orders, while demand for automation products improved 11 per cent to DM1.4bn.

While overall order intake from some neighbouring west European countries rose by more than 20 per cent, German bookings were up 5 per cent.

Domestic sales were up 16 per cent in the quarter at DM8.3bn. However, with foreign turnover stagnating at DM10.2bn, the aggregate sales increase was held to 7 per cent.

The group, whose chairman Mr Heinrich von Pierer recently forecast a 20 per cent profits increase for the full 1994-95 year, reported a 20 per cent increase in sales and turnover in the vehicles components division.

Both the private and public telephone operations benefited from double-figure growth in foreign demand, although falling domestic orders and heavy price competition led to an aggregate 4 per cent decline in orders for public networks.

The weakness in the market for publicly-funded power generation and transmission projects showed up in a 13 per cent drop in orders for power station equipment, and a fall of 8 per cent in demand for distribution gear.

Heinrich von Pierer: forecast 20% profits increase for 1994-95

Italian bank holds steady in spite of market woes

By Andrew Hill in Milan

Banco Ambrosiano Veneto, the Italian bank, yesterday reported a gross operating profit of L800bn ($504.8m) for 1994, almost the same as for 1993, and said it expected to pay an unchanged dividend.

Growth at most Italian banks has been held back in 1994 by difficult financial markets, which obliged Ambroveneto to write down the value of its securities portfolio, and narrowing interest margins. Ambroveneto said its results confirmed the strength of the bank.

For 1993, the group reported a net profit of L175.5bn, and paid a dividend of L150 per ordinary share, although that was on a smaller shareholder base. Full results for 1994 will be released in early spring.

In November last year, Ambroveneto's principal shareholders rallied to the bank's defence, after Banca Commerciale Italiana (BCI), its Milan-based rival, announced plans to bid for a controlling stake.

Crediop, the investment finance subsidiary of Italy's largest banking group, San Paolo di Torino, and Crédit Agricole of France, agreed to renew a defensive shareholder pact with another Italian bank, San Paolo di Brescia, and Alleanza, the Italian insurer. San Paolo di Torino and Crédit Agricole each control just under 20 per cent of Ambroveneto, while San Paolo di Brescia has 16.5 per cent and Alleanza, 13 per cent. After their action, BCI was forced to abandon its plans.

The competitive position of Ambroveneto in the Italian market will depend to some extent on the outcome of the fierce battle for control of Credito Romagnolo of Bologna, which faces rival bids led by two Milan-based banks, Credito Italiano and Cariplo.

Ambroveneto said preliminary balance sheet information presented to the board yesterday showed customer assets under administration at December 31 1994 amounted to L66,000bn, against L58,000bn a year earlier.

Baer hit by weakness in bond and share trading

By Ian Rodger in Zurich

Baer Holding, the Zurich-based asset management group, has reported consolidated net income of SFr104.4m ($82.5m) for 1994, down 29 per cent from the exceptionally high level achieved in 1993.

In an unusual display of candour for a Swiss bank, Baer revealed that not only were its own results well down but that "many of our clients' portfolios declined in value". It also indicated that some clients were not very happy.

"Although we understand most clients focus on the present, it is still important to consider that we strive for longer-term appreciation of private and institutional clients' assets," Mr Hans Baer, chairman, and Mr Rudolf Baer, president, said in a letter to shareholders.

Baer had SFr43.6bn under management at the end of 1994, probably making it Switzerland's largest fund manager after the three universal banks.

The main cause of the group's own profit decline was a 58 per cent slide in income from trading, to SFr101m, a result of the slump in bond prices last year. Profits from securities trading tumbled 73 per cent to SFr33m.

Commission income rose 6 per cent to SFr266m, in part thanks to the sharp increase in assets under management in 1993. Net interest income was down 4 per cent to SFr119m.

Baer pointed out that its relatively stable net interest and commission income together covered total operating expenses of SFr338m, down 3 per cent thanks to lower employee bonuses.

Provisions for bad loans were down 56 per cent to SFr26m, and taxes fell from SFr60m to SFr23m because of Zurich's biennial collection system.

In spite of the steep fall, Baer said net income still reflected a positive long-term trend. It expressed confidence that the trend would continue in the current year.

Consolidated total assets were unchanged at SFr7.5bn at the end of 1994, but shareholders' equity rose 8 per cent to SFr995m.

Bouygues shrugs off property losses

By John Ridding in Paris

Bouygues, the French construction and communications group, yesterday announced net profits of FFr570m ($109m) for last year, a sharp increase on the FFr469m recorded in 1993 and above market expectations.

The improvement was achieved in spite of a near doubling in losses on its property activities, which rose to FFr280m from FFr152m. Bouygues said the increase reflected higher profits in its construction division and better returns from its diversification into media and communications.

Last year, Bouygues increased its stake in TF1, the television network to 37.5 per cent from 25 per cent. Earlier this week, TF1 said it expected a healthy increase in net profits for 1994.

Bouygues forecast relatively flat sales for this year, with a rise of about 1 per cent to FFr71bn. This partly reflects an expected decline in construction activity, which is predicted to fall to FFr53.6bn from FFr54bn last year.

The property division should see revenues rise this year after a fall of 11 per cent last year to FFr4.1bn. However, the group declined to comment on whether real estate losses would be reduced.

Industry observers said medium-term prospects for Bouygues had been strengthened by contracts and licences awarded last year. In particular, the company was granted the licence to operate France's third mobile telephone licence. Important contracts included the Paris stadium for soccer's World Cup in 1998.

Bouygues said its financial position would enable the investments required for such projects. Last year, debts declined to FFr6bn from FFr6.6bn. Treasury funds slipped 5 per cent to FFr8.8bn, in spite of a doubling of investments to FFr5.7bn.

Expansion hurts Danone margins

By David Buchan in Paris

Danone, France's largest food group, yesterday reported a 3 per cent rise in net profits, to FFr3.52bn ($673.5m) last year from FFr3.42bn in 1993 on turnover that, without the effect of acquisitions, rose by 3.8 per cent.

The group's rapid expansion, particularly into the biscuit and sauce business in Asia, and the Euralim joint venture with the Saint-Louis group, led to the first-time consolidation of a number of companies. These accounted for some FFr5bn of a total FFr76.8bn sales last year. This compares with turnover of FFr70.1bn in 1993.

Operating income, before deducting interest and tax, rose by 7.4 per cent to FFr6.8bn, while cash flow increased by 8.7 per cent to "exceed" FFr7bn, the company said. However, the group's operating margin – operating income as a share of total turnover – slipped from a ratio of 9.1 per cent in 1993 to 8.9 per cent last year.

Danone said the end-year ratio was better than that in mid-year, when the operating margin had dropped to 8.4 per cent.

It blamed the declining operating margin over the past few years on rapid expansion and the acquisition of a number of companies whose profitability could be improved.

Unfavourable European weather conditions led to a poor first half for its beverages businesses. However, a good summer meant that thirsty drinkers boosted sales of mineral water for the year by 7.2 per cent, and of beer by 1.2 per cent.

The dairy products, biscuits and containers sectors also saw gains in sales. Only pasta sales fell back, by 1.5 per cent, because of sharp competition in the big Italian and German markets.

Solvay back in black for year

By Emma Tucker in Brussels

Solvay, Belgium's largest chemicals group, staged a sharp turnround last year, reporting a net consolidated profit of BFr8bn ($378.7m) compared with a loss of BFr6.91bn in 1993.

It attributed the "quick, strong recovery" to a pick-up in the European economy and the success of its own recovery plan, begun in November 1991.

Provisional net earnings were estimated at BFr7bn last year, giving earnings per share of BFr800, while sales grew by 6 per cent, year on year. The results were enhanced by exceptional sales of peripheral businesses, including the wood protection and special tile adhesives businesses, worth BFr1bn.

All sectors, other than peroxygens, saw sales and profits grow. The recovery was strongest in plastics, but alkalis also advanced strongly.

Prices for the company's three types of plastics, which had fallen sharply in 1992-93, recovered rapidly, although they did not reach previous record levels.

The sector was boosted by strong demand for PVC in Europe, Thailand and Brazil – all areas where Solvay has PVC operations.

Strong demand for US exports of soda ash lifted the alkalis sector, where Solvay expects to increase prices. Price rises for caustic sodas will also to continue next year.

As part of its cost-cutting programme, Solvay has reduced the number of employees by 14 per cent since the beginning of 1992. "It was an unpleasant job," the company said yesterday, "but essential for the improvement of the group's productivity."

Incentive to re-list Cardo's equity

By Christopher Brown-Humes in Stockholm

Incentive, the Swedish industrial concern controlled by the Wallenberg family, said yesterday it would re-list shares in the restructured Cardo group next month in a sell-off valuing the unit at up to SKr2.6bn ($349.6m).

Incentive paid SKr8.4bn for Cardo last year in a move to acquire its controlling 58 per cent voting stake in the medical equipment specialist Gambro. It made it clear it would reinstate the rest of Cardo's industrial activities, based on industrial door, centrifugal pumps and railway braking systems, when market conditions were appropriate.

A total of 30m shares are to be offered, with pricing estimated in the SKr77 to SKr87 a share range.

Cardo's former shareholders will be offered 60 per cent of the company at a discount, with the balance being offered to Swedish and foreign investors in an international placement. Shares are expected to start trading on the Stockholm Stock Exchange at the end of February.

Cardo is forecast to have pro forma profits of around SKr270m in 1994, compared with SKr158m a year earlier, on sales of SKr5.5bn. The company has manufacturing and sales companies in 20 countries and 5,600 employees. Export markets account for around 90 per cent of sales.

Mr Mikael Lilius, Incentive president, said Cardo was well-prepared to capitalise on the economic upturn in Europe.

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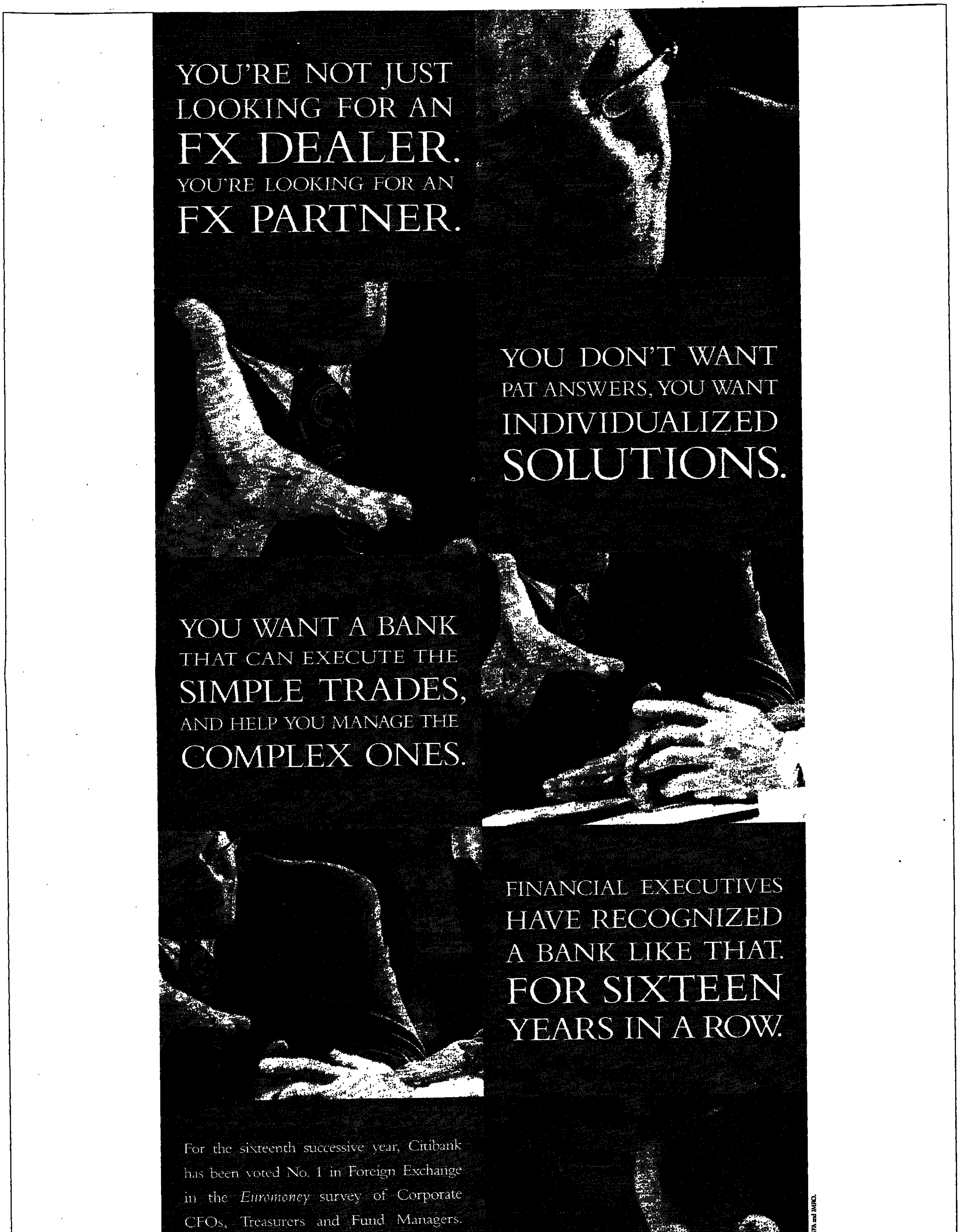


INTERNATIONAL COMPANIES AND FINANCE

Four US drug groups increase net income

By Richard Waters in New York

Four of the biggest drugs and consumer healthcare groups in the US reported higher net income for 1994, though in most cases comparisons were distorted by acquisitions and restructuring charges.

Behind the headline figures lay sharp differences in underlying sales growth, as companies with newer prescription drugs in their portfolios registered some of the strongest gains.

Johnson & Johnson's sales for the year rose 11.3 per cent, powered by recent drug launches, while Merck's core drugs business registered a 9 per cent increase in revenues.

On the other hand, American Home Products, which last year bought American Cyanamid for $9.7bn, recorded underlying sales growth (excluding the acquisition) of only 4 per cent.

Warner-Lambert, meanwhile, saw a 2 per cent fall in drug sales during the year, to $2.08bn, as its biggest selling product, Lopid, lost its US patent protection. However, growth in sales of consumer products, together with acquisitions, led to an overall revenue increase of 11 per cent.

Johnson & Johnson's profit margins continued to benefit last year from the sales growth in its drugs division, which at nearly 15 per cent exceeded growth in the consumer and professional healthcare divisions. The higher profitability of the drugs business pushed up the group's overall operating margin by nearly one percentage point, to 17.6 per cent.

The company's reported sales benefited from the weakening dollar, which added 3.3 per cent to revenues of $4.09bn in the final quarter. Full-year sales were up 11.3 per cent, with the fastest growth coming outside the US. As a result, sales in the US slipped below half of total revenues, at 49.7 per cent.

Drug sales were $5.158bn in the year and $1.313bn in the final three months. The company said that revenues from Risperdal, an anti-psychotic drug launched in the US a year ago, and Propulsid, a gastro-intestinal product, were among the biggest factors.

Sales in the professional products division, meanwhile, climbed 10 per cent to $5.325bn in the year, and 17 per cent to $1.449bn in the final three months.

Sales from consumer products were nearly 9 per cent higher in 1994, at $5.251bn, and up 16 per cent in the latest quarter, to $1.328bn.

Merck, the world's biggest prescription drugs company, met market forecasts with reported earnings for 1994 which were based on underlying sales growth of 17 per cent.

Earnings per share, though, rose only 3 per cent during the year, reflecting the dilutive effects of the acquisition of Medco Containment Services, a drugs distribution company, late in 1993.

Comparisons with 1993's reported figures were distorted by Medco and other acquisitions and disposals, as well as a restructuring charge in the earlier year.

Excluding the restructuring charge, net income rose 12 per cent in the year, to $2.997bn.

Merck did not separate the results of Medco, but said that sales in its core animal and human health products business climbed 9 per cent during the year, in line with expectations.

Merck's latest figures were struck after two significant one-off items in the final quarter which almost exactly balanced each other out: a $492m gain from the sale of an interest in a new joint venture, Astra Merck, to Astra of Sweden, and a $499.6m provision to cover an expected future liability in relation to Du Pont Merck, a joint venture with Du Pont.

American Home Products announced plans to cut 4,000 jobs this year, following its merger with American Cyanamid, and said it would make further cuts next year. News of the job reductions, out of a total of 74,000, helped to lift the company's shares $⅞ yesterday morning, to $67. The company had been expected to reduce its headcount by around 10,000 in all.

Net income in the latest quarter, which rose 4 per cent, was struck after amortisation of interest and goodwill for American Cyanamid in December which more than offset earnings from the acquisition. This resulted in a 4 cents a share dilution to earnings per share, the company said.

Warner-Lambert recorded net income growth of 16 per cent for the latest quarter and 8 per cent for the year, leaving aside a restructuring charge in 1993. This reflected in part the acquisition of the Wilkinson shaving business in 1993.

The acquisitions and the fall-off in drugs sales, to $2.08bn, tilted Warner-Lambert's income further towards the consumer products business.

This accounted for 68 per cent of revenues, up from 63 per cent the year before.

US DRUGS COMPANIES

	Sales figures	Net inc 1994 $m	Net inc 1993 $m	Q4 net inc 1994 $m	Q4 net inc 1993 $m	1994 eps $	1993 eps $	Q4 eps 1994 $	Q4 eps 1993 $
Johnson & Johnson	15,734	2,006	1,787	378	335	3.12	2.74	0.59	0.52
Merck*	14,969	2,997	2,166	773	674	2.38	1.87	0.61	0.56
American Home Products‡	8,966	1,528	1,469	399	382	4.97	4.73	1.30	1.23
Warner-Lambert*	6,417	694	331	138	(197)	5.17	2.45	1.02	(1.46)

*Excluding restructuring charges, Merck's net income would have been $2.687bn, or $2.32 a share, in 1993; Warner Lambert's net income would have been $118m, or 88 cents a share, in the fourth quarter of 1993, and $945m, or $4.76 a share, for the whole year.
‡ American Home Products' 1994 figures include one month's contribution from American Cyanamid, acquired late in the year.

The trading experience of a joint venture between Merck and Du Pont over the past four years prompted the biggest US drugs group to announce a provision of $499.6m yesterday, writes Richard Waters.

Products contributed to the joint venture by Du Pont have performed much better than those contributed by Merck since the company started operations in 1991.

As a result, Merck faces the prospect of making a cash payment to Du Pont at the end of next year, a date laid down in their original agreement.

The payment reflects mainly higher-than-expected sales from Coumadin, a blood-thinning drug developed by Du Pont, the two companies said.

Merck also said yesterday it would take over full marketing responsibility for Cozaar, a hypertension treatment developed jointly by the two companies outside the scope of the joint venture company.

Mexican financial group falls

Grupo Financiero GBM Atlantico, a Mexican financial group, said its adjusted net income in 1994 fell 47 per cent to 284.7m new pesos ($49m) from 541.4m new pesos in 1993, reports Reuter from Mexico City.

Its adjusted net income included after-tax unrealised gains, the group said.

Net income was 200.8m new pesos in 1994, with bank unit Banco del Atlantico providing 122.1m new pesos and its brokerage GBM providing 40.7m. It gave no comparative net income figures for 1993.

"The results of the group and its subsidiaries were affected by the peso devaluation and its negative impact on the various financial variables, including an important increase in Mexican interest rates," the group said.

"Extraordinary reserves of 123m new pesos for probable losses that may be recorded during 1995 in the group's investment portfolio were created during the quarter."

The company said Banco del Atlantico's capitalisation ratio as of year end was 8.7 per cent. The official requirement is for 8 per cent.

GBM Atlantico said the bank's total loan portfolio came to 21.58bn new pesos at the end of 1994 and that it had loan loss reserves of 1.11bn new pesos, representing a 55 per cent coverage ratio in relation to non-performing loans.

Chevron benefits from solid cyclical rebound in industry

By Richard Waters

Chevron echoed recent results from other big US energy groups with better-than-expected earnings for the final months of 1994, mainly due to the cyclical rebound in the chemicals industry.

The rebound contributed to a 12 per cent rise in underlying profits during the fourth quarter, before one-off items, to $578m.

The results also benefited from a continuing recovery in earnings from Chevron's other operations after a weak first six months.

However, underlying earnings for 1994 as a whole fell 22 per cent, to $1.671bn, as a result of generally lower oil and natural gas prices, and weaker profit margins in the refining business.

Leaving aside the effects of one-off charges in both years, the San Francisco-based company's chemicals business reported a profit of $215m for the year, compared with $31m the year before. Fourth-quarter chemical earnings were $68m, compared with a loss of $8m a year ago.

The upstream (exploration and production) business, meanwhile, registered an 18 per cent decline in underlying earnings during the year, to $1.103bn – in spite of a 10 per cent rise in the final quarter.

Downstream (refining, marketing and transportation) earnings slipped 29 per cent during the year, to $574m, before one-off items. During the final three months, earnings were up $3m, to $239m. The year's figures were dented in part by operating problems in some parts of the group's refinery activities, particularly in the first half of the year.

Chevron reported net income for the quarter of $525m, or 81 cents a share, compared with $294m, or 45 cents, the year before.

For the full year, reported net income reached $1.595bn, or $2.45, compared with $1.265bn, or $1.94.

BellSouth posts record result

By Tony Jackson

BellSouth Corporation, the biggest of the US Baby Bell regional telephone companies, produced record earnings of $2.16bn last year, compared with $880m in 1993 after restructuring charges.

On a like-for-like basis, earnings per share for the year rose 13 per cent to $4.13, and by 6 per cent to $1.04 in the final quarter.

The Atlanta-based company said its number of access lines rose 5 per cent in the quarter, making it the first US telephone company to have more than 20m domestic lines. It also passed the million mark for homes with a second phone line.

Mobile phone customers in the US rose 38 per cent in the year to 2.2m.

Mr John Clendenin, chairman, said that while it had taken the company almost nine years to reach the million mark, it had added the second million in just over two years.

Overseas cellular customers increased 88 per cent to 361,300. Israel was added in December as the ninth country of operation.

Cellular revenues in Latin America rose 45 per cent to $389m for the year, while earnings were up 82 per cent at $57m.

BellSouth owns or has stakes in cellular operations in Chile, Venezuela, Argentina, Mexico and Uruguay.

Revenue in the traditional telephone business rose 4 per cent in the year to $12.1bn, and in directory advertising and publishing by 3 per cent to $1.56bn.

Revenue from cellular phones rose 33 per cent to $2.07bn.

Nynex flat at $1.25bn for year

By Tony Jackson in New York

Nynex, the New York-based regional telephone company, produced flat sales and underlying net earnings last year, with revenues of $13.3bn, against $13.4bn the previous year, and earnings of $1.25bn against $1.24bn.

However, the picture was distorted by various charges in both years, as a result of which stated earnings were $793m, or $1.89 a share, compared with a loss of $394m, or 95 cents, in 1993.

In the US, demand for access lines was the strongest in the company's history, Nynex said, as a result of improved marketing and economic recovery. Total lines grew 3 per cent to 16.6m.

Mobile telephone customers rose 68 per cent over the year to 905,000.

In the UK, Nynex CableComms had a total of 122,000 cable TV customers and 99,000 telephone customers by the end of the year.

TelecomAsia, the company's alliance in Bangkok, ended the year with 990,000 lines installed compared with 300,000 a year earlier.

Stated earnings in the fourth quarter were $198m, or 47 cents a share, compared with a loss of $1.24bn, or $3. Sales were flat at $3.4bn.

Nynex shares rose $⅝ to $37⅞ in early trading.

NEWS DIGEST

Thyssen arm lifts profits 23% ahead of telecoms move

Thyssen Handelsunion, the trading and services division of the German conglomerate which is branching out into telecommunications, said gross profits in the year to September 30 rose 23 per cent to DM205m ($136m), up from DM167m last year, writes Michael Lindemann in Düsseldorf.

Turnover for the year rose 10 per cent to DM15.5bn, up from DM14.1bn the year before.

Sales in the first quarter of the current year were 5 per cent higher than a year earlier while profits in the quarter had increased by an higher, unspecified amount, according to Mr Dieter Vogel, chief executive.

Mr Vogel said the division had successfully completed the move from a trading group, based on steel and other commodities, to a broad-based company offering services from transport to recycling.

The expansion into telecommunications will form the centrepiece of the group's strategy over the next decade, he said.

The division lost DM22.8m on its activities in E-Plus, Germany's third mobile phone network in which it holds a 28.5 per cent stake, but said the venture was meeting all its targets and was on course to break even in 1997.

Thyssen Haniel Logistic, the group's transport subsidiary, lost DM31.2m but Mr Vogel said the results were likely to improve now that the parcels activities had been fused with those run by Deutsche Bahn, the state railways operator.

Bang & Olufsen trebles earnings to DKr127m

Bang & Olufsen, the Danish audio and video equipment group, more than trebled pre-tax profits to DKr127m ($21m) in the first half to November 30, from DKr40m in the same period in 1993, writes Hilary Barnes in Copenhagen.

Sales were ahead by 6 per cent to DKr1.28bn from DKr1.21bn.

The company said that it recorded sales growth in all its main markets – of which west Germany is the biggest – except Belgium. Costs were lower than budgeted.

B&O forecast an increase in sales for the full year to DKr2.6bn from DKr2.4bn in 1993-1994 while pre-tax profits are expected to double to about DKr240m, after a DKr40m provision for marketing and development costs at B&O Technology, a subsidiary which makes and develops telephones, health care and plastic products.

Group pre-tax profits in 1993-1994 were DKr127m.

Setback for Colonial Mutual sale plan

Colonial Mutual, the Australian insurance group, has suffered a setback to its plans to sell its extensive cattle operations after a tribunal rejected the proposed tender offer route, writes Bruce Jacques in Sydney.

The insurance group, which last year agreed to buy the State Bank of New South Wales for A$576m (US$442m), was trying to sell its 51 per cent interest in Australian Agricultural Company, the country's biggest cattle owner, through a private offer.

But the plan, which may not have secured an equal offer for other shareholders, was taken to the Administrative Appeals Tribunal by Australian Metal Holdings, a private company controlling 30.4 per cent of the cattle company.

Colonial has the right to appeal against the tribunal's decision but is expected to seek alternative ways of carrying out the sale.

NatWest Bancorp to shed 500 jobs

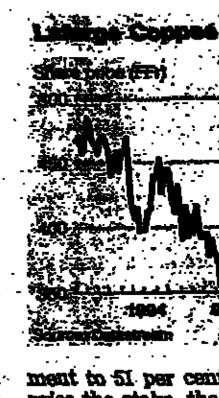
National Westminster Bancorp, the US subsidiary of the UK banking group, is to cut 500 jobs in an attempt to bring its cost base into line with more efficient rivals, writes Richard Waters.

Some 400 staff were made redundant on Monday, and a further 100 jobs will go by the end of the year as positions that become vacant are not filled. This represents nearly 6 per cent of the total workforce of 8,600.

The New Jersey-based bank, which has expanded through acquisition, has $29bn in assets in the US, making it the 32nd largest US banking group and the largest foreign-owned retail bank in the US.

Mr John Tugwell, head of NatWest Bancorp, said he planned to reduce the bank's cost/income ratio (the proportion of revenues spent in operating costs) to 55 per cent by the end of 1996, from the current 63 per cent. NatWest has a higher ratio than many other US retail banking groups.

Lafarge Coppée to extend China presence



Lafarge Coppée, the French building materials group, yesterday announced plans to extend its presence in China, concluding a deal to take a stake in China Cement Corporation, writes John Ridding in Paris. Under the terms of the deal, Lafarge is to pay $24m to buy an unspecified minority stake in the company and an option to increase its investment to 51 per cent by the end of March. To raise the stake, the French group would have to pay a further $96m.

China Cement Corporation is majority held by a Finnish businessman. It has controlling stakes in eight joint ventures, principally in north-eastern China, and has annual cement production of about 3m tonnes.

Lafarge Coppée said the deal was in line with its strategy of increasing its operations in the east Asia.

Plea from Gaz de France chairman

French and foreign companies should be allowed to take stakes in Gaz de France to give the state-owned utility more flexibility, independence and financial resources, its chairman, Mr Loïk Le Floch-Prigent, said yesterday, writes David Buchan in Paris.

He was not proposing outright privatisation, but in a speech to a conference on European public services companies, held at the French National Assembly, he said he favoured "cross participations" between GdF and other gas companies.

He wanted to see "evolution towards a partnership with the big world gas companies, notably firms specialising in production, distribution and storage".

GdF depends 90 per cent on imports for the French market. It is keen to ensure the security of future supplies through partnerships with companies like Statoil of Norway or Gasprom of Russia. GdF has also become increasingly active abroad, investing in Germany, Quebec, Russia, the US and Latin America.

A possible French investor might be Elf-Aquitaine, the newly privatised oil group that used to be run by Mr Le Floch-Prigent, and which already has a series of joint ventures in the centre and south-west of France with GdF in distributing gas.

Mexican group expects $17m forex loss

Bufete Industrial, the Mexican industrial construction group, estimates a foreign currency loss for the fiscal year which ended on December 31 of 100m new pesos ($17m) as a result of the recent new peso devaluation, AP-DJ reports from Mexico City.

The estimated foreign currency loss, the company said, is the result of holding $83m of monetary liabilities in foreign currency compared with $20m of monetary assets.

Bufete said taxes and statutory profit sharing of about 12 million new pesos will be reported for the fiscal year, after accounting for the effects of the new peso devaluation.

The company's stockholders' equity will increase by about 62m new pesos as a result of the revaluation of non-monetary assets and the consolidation of its Ovalle Moore unit.

هكذا منه الأصل

Demand for mainframe computers lifts Amdahl

By Paul Taylor

Improved demand for its mainframe computers and sharp cost reductions helped Amdahl, the US computer group, report a turnround in fourth-quarter and full-year results yesterday following the large losses and restructuring charges recorded in 1993.

"We are seeing stronger demand for mainframes," said Mr E. Joseph Zemke, president and chief executive. "There was very strong demand in the fourth quarter and this has carried over."

Mr Zemke said the improved demand reflected "a more balanced view" of the role of mainframe computers coupled with the effects of better market conditions and pent-up demand.

Amdahl reported net income of $40.9m, or 34 cents a share, for the fourth quarter compared with a loss of $40.9m, or 36 cents, a year earlier.

Revenues increased to $498.7m from $442.9m as pricing pressures eased, reflecting improved demand and the industry-wide reduction in capacity.

Mr Zemke said the fourth-quarter results brought to a close a year of rising profits. For the full year the group reported net income of $74.8m, or 63 cents, on revenues of $1.64bn, a dramatic improvement over the loss of $580m, or $5.09, on revenues of $1.68bn reported in 1993. The 1993 figures included restructuring charges of $392.7m, or $3.45, after tax.

"In 1993, we were faced with some formidable challenges, and our success in 1994 is evidence of the effectiveness of the restructuring plan we put into effect to address these issues," said Mr Zemke.

"That restructuring effort cut excess manufacturing capacity, significantly reduced costs that had been too high for market conditions, and expedited our return to profitability."

Inventories of $283m at the end of the year were more than $500m down from their high point of $816m.

Amdahl shares were down $¼ at $11¼ in early trading.

UAL posts first fourth term profit since 1989

By Richard Tomkins in New York

UAL, the holding company for United Airlines, the biggest airline in the US, yesterday reported its first fourth-quarter profit since 1989, with net income of $11m in the period to December, compared with net losses of $64m last time.

Like other US airlines, United has benefited from a combination of low fuel prices and an increase in passenger numbers stimulated by US economic growth.

It has been working hard to cut costs.

Last July, the airline was bought out by its employees in a deal under which they traded $4.9bn-worth of wage cuts and other labour concessions for a 55 per cent controlling stake in the company.

The recapitalisation that accompanied this transaction makes profit comparisons with the prior-year period difficult. But UAL said the company's progress was underlined by a four-fold increase in operating profits to $78m from $19m.

Revenues rose to $3.4bn from $3.3bn, and after preferred stock dividends, net losses fell to $0.98 from $3.02.

On a pro forma basis assuming full distribution of the shares involved in the employee buy-out, UAL said net income would have been $67m, or $1.47 a share, in line with market expectations.

For the full year, UAL reported net income of $51m, or $205m on a pro forma basis, against net losses of $50m last time.

Mr Gerald Greenwald, chairman and chief executive, attributed the turnround to strong revenue growth, coupled with company-wide efforts to reduce expenses.

Salaries and related costs fell 10.5 per cent to $1.1bn from $1.2bn in the comparable quarter, mainly because of the cost savings brought about by the employee buy-out.

This more than offset the downward pressure on fares caused by the continuing fare wars in the US domestic air travel market.

Turnround for Northern Telecom

By Bernard Simon in Toronto

A strong fourth-quarter recovery has set the stage for Northern Telecom, the Toronto-based telecommunications equipment maker, to mount an expansion drive.

Mr Jean Monty, chief executive, said yesterday that having paid down US$1bn in debt over the past year and with about US$1bn in cash on hand, "we feel more comfortable about taking on opportunities".

Northern, which has been through an extensive restructuring over the past 18 months, posted 1994 earnings of US$408m, or $1.60 a share, compared with a $878m loss, or $3.54 a share, in 1993. Revenues climbed to $8.87bn from $8.15bn.

Fourth-quarter earnings rose to $225m, or 88 cents a share, from $106m, or 42 cents, a year earlier. The latest figure includes an 11 cent a share gain from the disposal of various businesses. Order input was a record $3.26bn.

Northern aims to boost revenues by an average of 10 per cent a year over the rest of the decade. Mr Monty said most of the increase would probably come from internal initiatives, rather than acquisitions.

Northern's shares climbed C$1.13 to C$48.38 in early trading on the Toronto stock exchange. The shares have recovered sharply from a low of C$27.13 when the restructuring began in mid-1993.

Sales of wireless systems, in which Northern was a relatively slow starter, doubled in the fourth quarter, and now contribute about 10 per cent of global revenues. Mr Monty said the wireless division also posted "very solid growth" in earnings.

Cost-cutting in the core switching business led to wider margins for central office switches, but Mr Monty said that he was seeking further improvements. Sales in the Caribbean, Latin America and the Pacific Rim rose substantially last year, but European sales were virtually unchanged.

Northern's rising international profile is mirrored by a slide in revenues from Canada, which accounted for 13 per cent of the total last year, down from 39 per cent in 1991. Demand in Canada has been hit by uncertainty over the fast-evolving deregulation of the phone market.

Higher copper price helps Phelps Dodge raise income

By Laurie Morse in Chicago

Phelps Dodge, the Arizona-based copper producer, said higher copper prices and expansion of mining capacity in Chile helped lift 1994 net income to $271m, or $3.81 a share, from 1993's net income of $187.9m, or $2.66.

Sales for the year rose to $3.3bn, from $2.6bn a year ago, while operating cash flow improved to $543m, from 1993's $385m.

In the fourth quarter the company lifted net income to $63.6m, or 89 cents, against $41.6m, or 59 cents, in the same year-ago period. Sales for the quarter were $1bn, up from $652.7m a year earlier.

The latest full-year and fourth-quarter results were affected by one-time charges, including a previously announced after-tax charge of $91.7m for environmental clean-up reserves and costs associated with closing operations.

Excluding these non-recurring charges, Phelps Dodge earned $362.7m, or $5.10, for the year, and $155.3m, or $2.18, in the fourth quarter.

During the fourth quarter, operating results from Phelps Dodge's 80 per cent interest in the Candelaria mine in Chile were included in the company's financial statements.

In the quarter, laria produced 24,800 tons of copper, contributing to the company's worldwide 1994 record production of 572,800 tons.

Freeport-McMoRan returns to the black in fourth quarter

By Laurie Morse

Freeport-McMoRan, the Louisiana-based consolidated metals, mining, fertiliser and natural resource company, reported fourth-quarter net income of $18.4m, or 13 cents a share, up from a restated loss of $20m, or 14 cents, in the same 1993 quarter.

Sales in the quarter reached $561m, up from $486m a year earlier.

Fourth-quarter net income includes one-time gains of $24m, or 18 cents a share, from an insurance settlement and a special share distribution.

The fourth-quarter results came as Freeport-McMoRan reported higher operating costs in its mining subsidiary, and a drop in the volume of oil sales from 1bn barrels in last year's fourth quarter to 681m in the corresponding 1994 period.

An upbeat world market for Diammonium phosphate fertilisers boosted operating income in the agricultural minerals division.

For the year, net income was $41.4m, or 30 cents, up from a restated 1993 loss of $26m, or 89 cents. However, one-time gains from insurance and other settlements totalling $107.2m are included in the net income figure.

Excluding these special items the company had an operating loss. Freeport-McMoRan's 1994 revenues were $2bn, up from $1.6bn in 1993.

Alcan calls for further talks on British Columbia plant

By Robert Gibbens in Montreal

Alcan Aluminium, the Canadian aluminium group, has called for further talks with the government of British Columbia after the north-western province blocked the C$1.3bn (US$929m) completion of Alcan's Kemano II hydro power-plant project.

Alcan, which has said it may seek compensation for the C$500m spent on the 285MW project before work halted in 1991, said it was "disappointed" with the decision.

Mr Michael Harcourt, the premier of British Columbia, who may face an election this year, said that the Kemano II project would severely reduce water levels in the Nechato River and thereby endanger the local salmon industry.

A study by the province's utilities commission did not rule out the project if extensive design changes were made, as Alcan has offered.

However, Mr Harcourt said that remedial measures would cost C$100m and would make Kemano II too costly for Alcan.

British Columbia is home to Canada's strongest environmental lobbies.

Mr Harcourt has so far managed to steer a middle course, and compromises have eased tensions over clear-cutting and water pollution by the forest industries.

However, protests about damage to the province's famous salmon fisheries have been heightened by unexplained declines in stocks.

Alcan built the 900MW Kemano I to supply power for its Kitimat Smelter, which started up in 1954.

Although it received clearance to start Kemano II in 1987, work was halted in 1991 because of legal challenges. The company has argued that design changes could minimise damage to the salmon fisheries.

Mr Harcourt said the 1987 clearance given by previous federal and provincial governments was based on "faulty assumptions" and that complete scientific assessment should have been made. His social democratic party opposed Kemano II when in opposition.

Although environmentalists supported his decision, Kitimat residents were critical, saying it would cost 1,000 jobs.

Growth in car parts boosts TRW

By Tony Jackson in New York

Strong growth in car components at TRW, the diversified US manufacturer, produced an earnings increase of 58 per cent in the final quarter and 51 per cent in the year, to $333m.

Automotive sales rose 34 per cent in the quarter to $1.56bn, due to higher demand in North America and Europe. The division produced 72 per cent of group operating profit, against 61 per cent the year before.

Mr Joseph Gorman, chairman, said: "We expect the North American automotive market to remain strong in 1995, and Europe should continue to gain strength ... We expect additional growth this year as our customers continue their worldwide expansion."

Sales of air bags more than doubled from 4.6m units to 9.5m over the year, with production this year planned to exceed 13m. Production of rack and pinion steering gear rose from 3.8m units to 5m, with 10m planned by 1996.

Sales in space and defence showed an annual rise for the first time since 1990, from $2.79bn to $2.81bn. However, operating profit fell 12 per cent to $175m.

Group sales for the year rose 14 per cent to $9.1bn. Productivity increased 22 per cent, Mr Gorman said. Earnings per share for the year were up 50 per cent before accounting changes, at $5.01.

Dean Witter reports record earnings

By Maggie Urry in New York

Dean Witter, Discover, the broker and credit card group, reported record earnings for 1994 in spite of difficult trading conditions which have hit other securities firms' profits.

Net income for the year was $741m, up 23 per cent, and earnings per share were $4.35, up from a pro forma $3.54 in 1993, when the group was floated by Sears Roebuck.

Fourth-quarter earnings per share were barely ahead at 82 cents, from 81 cents, as costs in expanding the Discover credit card business hit profits. Dean Witter's aggressive push to add cardholders brought 2.8m new Discover Card accounts during the year taking the total to 32.1m.

Earnings from the credit services division for the fourth quarter fell 18 per cent to $51.9m although revenues were ahead 21 per cent at $550m. Marketing and business development expenses rose by a third to $178m.

However, the securities side increased earnings in the same period by 18 per cent to $88.1m, on revenues only 2 per cent higher at $709m. Dean Witter's concentration on retail customers and avoidance of troubled areas such as bond trading and underwriting has protected it from the worst of the market conditions in 1994. Its securities division increased its sales force during the year to over 8,000.

Last week Dean Witter announced a 28 per cent rise in the quarterly dividend to 16 cents a share, from 12½ cents.

Eli Lilly extends alliance with India drugs group

By Shiraz Sidhva in New Delhi

Eli Lilly, the US drug manufacturer, and Delhi-based Ranbaxy Laboratories, its Indian joint-venture partner, yesterday announced new agreements in India and the US. The ventures envisage an initial investment of $90m, and are part of the companies' "strategic business plans for a global alliance".

The Indian joint venture will focus on research, development and manufacture of generic products, with both partners participating equally in the $60m investment, over three years. The products manufactured will include off-patent drugs, line extensions or new formulations of existing Lilly and Ranbaxy products, and new products of both companies. The investment provides for the regulatory cost of the products.

The $30m US joint venture is an agreement to market in the US the products resulting from the Indian venture and select Lilly and Ranbaxy products.

Mr Parvinder Singh, chairman and managing director of Ranbaxy, India's second largest drugs company, yesterday urged the Indian government to deregulate drug prices, 50 per cent of which he said were still regulated in spite of a new drugs policy announced last year. He suggested that the government work with the industry and researchers to make the the Indian pharmaceuticals industry competitive internationally.

Ranbaxy is India's largest exporter of drugs, accounting for 12 per cent of the Indian industry's exports. The company achieved sales turnover of $189m in the 1993-94 financial year, and has joint ventures in Canada with Genpharm, the generic drugs maker, and in China, Malaysia, Nigeria and Thailand. "The new joint ventures represent a strategic framework for the future that will enable us to access the rapidly expanding market for multi-source products in the US and the countries," Mr Singh said.

Mr Sidney Taurel, executive vice-president of Eli Lilly and president of the pharmaceuticals division, said the joint ventures would aid Lilly's new global strategy of increasing global presence, targeting disease categories and enhancing its critical capabilities.

"The agreements provide Lilly access to high-quality low-cost products, which help in disease management programmes in the US, broaden the company's access to product development capabilities and R&D, and increase our global presence in markets throughout the world where pricing can be a main factor," Mr Taurel said yesterday.

Eli Lilly registered sales worth $3bn in 1994, with markets outside the US accounting for 40 per cent.

Moroccan bank sale generates high demand

By Roula Khalaf

The first phase of Morocco's privatisation of Banque Marocaine du Commerce Exterieur (BMCE) was more than five times subscribed, the Casablanca bourse reported yesterday.

The bourse's preliminary results show that demand for the offering, which closed last Friday, exceeded 8m shares. There were 1.4m shares on offer at Dh325 a share and the stock was trading yesterday at Dh340.

In its first bank privatisation, the Moroccan government last week sold 14 per cent of its 50 per cent stake in BMCE, the country's second largest bank in terms of assets, to domestic investors. A further 26 per cent is being offered to a consortium of domestic and foreign investors who are being invited to submit bids by March 6. Another 3 per cent will be sold to BMCE employees, and the state will retain 7 per cent.

The remaining ownership is spread among public and private financial institutions, including Banque Française du Commerce Exterieur, the specialist banking group, and Germany's Commerzbank.

The success of the deal is largely attributed to an imaginative marketing campaign, which included a television commercial featuring a Moroccan movie star returning home to his wife bearing a gift that turns out to be shares in BMCE.

Last week, BMCE kept its branches open until 9 pm and set up a 24-hour telephone service providing information. According to brokers, a large part of subscribers were bank depositors.

A further lift came with BMCE's announcement last week that 1994 net income, on an unconsolidated basis, would reach Dh250m ($26m), up from Dh200m in 1993. Net income for 1993 on a consolidated basis stood at Dh173m.

BMCE is the second largest state company to be sold since the government launched its privatisation programme in 1993.

Sliding peso threatens Mexican car market

Devaluation will be good for exports, but bad for the domestic side, writes Ted Bardacke

The sharp devaluation of the Mexican peso brings good and bad news to the country's automotive industry. Unfortunately, the bad news comes first and is initially overwhelming.

Plants or production lines at Ford, Volkswagen, Nissan, Mercedes-Benz and Dina of Mexico have shut down temporarily. Fiat has put aside its project to build cars in Mexico. Dealer networks are under strain as as margins and demand decline. Difficult and unpredictable labour negotiations are on the horizon.

The automotive industry is the largest employer in Mexico, with more than 230,000 workers. It is also the country's largest non-petroleum exporter. In 1993, 420,000 vehicles were produced.

Sustained economic growth in Mexico is still likely to depend on direct foreign investment and car makers are expected to provide much of it.

"The devaluation is going to be good for exports, bad on the domestic side and overall we are going to lose our shirts," says Mr Rodolfo Weber, an executive at Ford.

However, the industry must tackle its immediate domestic concerns before considering how to take advantage of the export opportunities.

Heading the list is the fall in domestic demand. Most companies are projecting 30-50 per cent declines, with trucks and buses being hit hardest.

Many factors, most of them out of the hands of the carmakers, are spurring the decline, including a fall in purchasing power, consumer credit rates above 50 per cent and the fact that the Mexican vehicle market is extremely price sensitive.

Production strategy, especially among the US companies General Motors, Ford and Chrysler, is also proving to be a problem. Even before the North American Free Trade Agreement (Nafta), their strategy was to produce in Mexico only high-volume, low-price cars with a large quantity of imported parts for Mexico's domestic and export markets.

In practice, this means that apart from a few low-price models, most cars in Mexican showrooms are imported, and are 30-40 per cent more expensive than domestically-built vehicles. Even the domestically-built cars have shot up in price, due to their average import content of 55-70 per cent.

An attempt to duplicate this strategy undermined the proposed Fiat incursion into the Mexican market via a joint venture with Dina, the leading Mexican truck and bus maker.

Fiat was planning to bring in kits for its compact Uno model, to have been assembled on an old Renault line at an underused Dina factory just outside Mexico City. With the devaluation, the kits became too expensive and the demand just does not exist.

The expected drop in sales has not only forced plant shutdowns but has strained dealer networks. Dealers are rebelling against VW, for example, about who will bear the brunt of declining margins.

"We've got to help our customers... so keeping our distributors together is one of our most immediate concerns," says Mr Steve Knaebel of Cummins Engine, the US engine and parts producer.

He notes that the increase in interest rates is causing cash flow problems. "Distributors are having problems with [debt] collections. We've got to try to give them some working capital."

Parts suppliers are causing problems. Nissan's shutdown, the company said, was not the result of falling demand, but the unwillingness of some suppliers to sell components "because they considered the price rises offered by Nissan to be insufficient".

Auto makers will be pinched from another side in the next 10 weeks when industry labour contracts come up for negotiation. Within the manufacturing sector, car workers are among the highest paid and are not averse to striking to win wage increases higher than those normally outlined by the government.

This year, the government will be stricter on wage controls to keep the lid on inflation, while companies may simply not be able to afford large increases.

Automotive executives say their main concern is avoiding lay-offs. "We've spent seven years training these people. We've got to try to keep them employed," says Mr Knaebel.

The key to restoring a measure of calm to the industry lies in sourcing more parts from within Mexico, say industry strategists.

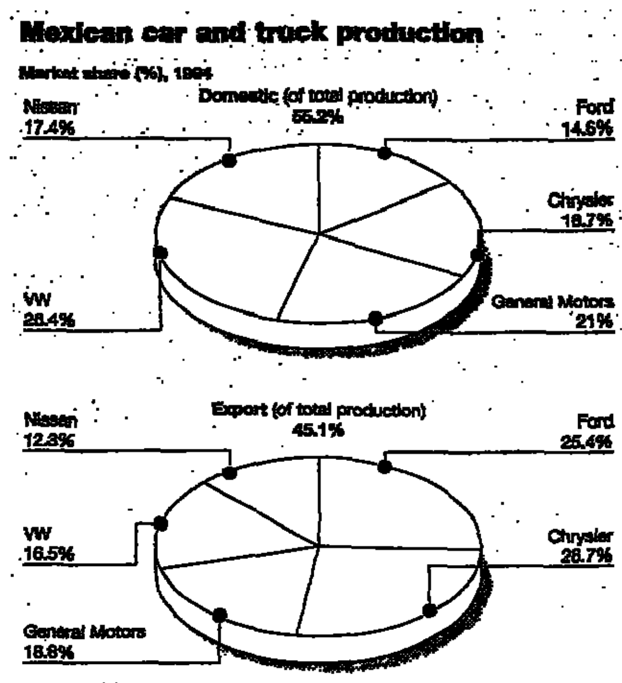
Increasing production on existing export lines is only a stop-gap measure and the prices of cars produced in Mexico but sold in the US are unlikely to be greatly reduced because of the high level of imported parts.

Moving whole production lines may take too long to be much of a price advantage, so parts production is where Mexico should expect a boom, says Mr Jorge Aguilar-Cauz, a management consultant with A. T. Kearny in Mexico City.

"There will be a lot of pressure from US producers for their parts suppliers to relocate to Mexico. And autoparts suppliers basically do what the car companies want them to do," says Mr Aguilar-Cauz.

Such a move would make Mexican-built cars cheaper in export markets and could increase overall parts exports. But executives caution that it may not happen very quickly.

"Obviously the big question is how to increase local content. But economies of scale are an impediment to transferring production quickly," says Mr Knaebel. "We don't make worldwide production decisions based on the exchange rate."



Source: AT Kearney

Westfield Trust ahead

By Bruce Jacques in Sydney

Westfield Trust, Australia's largest publicly-listed property group, is to increase its dividend distribution following solid rises in revenues and profits during 1994.

The group lifted net profit 12 per cent to A$158.6m (US$122m) from A$140.5m the previous year on a 15 per cent increase in property income to A$2.09bn from A$1.82bn.

Dividend distribution is up to 19.02 cents per unit from 18.79 cents. The directors have announced a A$92m property revaluation, lifting net asset backing to A$2.43 per unit from A$2.32.

● National Australia Bank plans to expand its Asian business following a survey of potential niche markets in the region, Reuter reports. "We've researched the market and we see a demand there that's not being fulfilled," Mr Don Argus, managing director and chief executive officer, said.

Poor December quarter for JCI group's gold mines

By Mark Suzman in Johannesburg

Gold mines within the Johannesburg Consolidated Investments mining house, due to be spun off to black investors as a separate company later this year, have reported poor results for the quarter ending in December.

Gold production declined 8.8 per cent to 11,662 kg, down from 12,789 kg previously. After-tax profit dropped 35.7 per cent to R63.1m ($18m) from R98m in the September quarter.

Higher capital expenditure meant distributable profit plummeted 72.6 per cent to R15.16m, from R55.29m.

Tonnes milled dropped 2.6 per cent to 2,611 from 2,681 while the yield fell, averaging 4.47 grammes/tonne for the quarter compared with 4.77 grammes/tonne in September. While total working costs across the group were well contained, unit costs rose 9.5 per cent to R35,521/kg, up from R32,450/kg previously.

Mr Bill Nairn, newly appointed gold division chairman, said labour unrest and technical difficulties had led to much lower output which had been exacerbated by the lower yields. He expected matters to improve over the next quarter.

Western Areas performed best as an increase in tonnes milled to 620,000 from 615,000 helped compensate for a drop in yield to below 7 grammes/tonne. After-tax profits dropped 11.4 per cent to R32.31m from R36.48m.

However, at Randfontein, hit hard by labour disturbances, after-tax profit slumped 37.5 per cent to R37.6m from R60.19m. Its grade fell sharply to 3.55 grammes/tonne from 3.95 grammes/tonne.

Results at Joel, the group's new mine, continued to fall short of prospectus estimates but marked an improvement on the previous quarter as gold yield rose slightly to 5.51 grammes/tonne from 5.49 grammes/tonne. Production remains behind schedule at 859 kg for the quarter, down from 950kg.

Mr Nairn said the group planned to go ahead with its merger between Western Areas and the South Deep Exploration company, JCI's other large gold mine development, largely for tax purposes. He said details of the financing of the merger would be released next week.

COMPANY NEWS: UK

GLAXO BID FOR WELLCOME

Other options sought but bid likely to win

Wellcome, the drugs company considering a £9bn-plus takeover bid from rival Glaxo, has engaged two investment banks, Morgan Stanley and Barings, to advise it.

It made no official statement yesterday beyond Monday's advice to its shareholders to do nothing for the moment. However, it is understood to have asked its advisers to "evaluate all the available options".

Although several options seem to be available, none looks as if it has much of a chance of thwarting Glaxo's bid.

Wellcome has until the end of the week to try to persuade its biggest shareholder, Wellcome Trust, the charitable foundation with a 39.5 per cent stake, not to sell its shares to Glaxo.

The Trust has agreed to sell the shares provided that its financial advice remains "unchanged after taking into account any view expressed by the board of Wellcome prior to 27 January 1995", says Glaxo's offer.

The offer is worth more than £10 a share compared with the 800p the Trust received in 1992 when it reduced its holding from 73.6 per cent to less than 40 per cent.

It is also possible that the High Court will not approve of the share sale. The Trust was set up under the terms of the will of Sir Henry Wellcome and significant deviation from these terms require legal authority.

However, the High Court approved the 1992 sale by which the Trust gave up its control of the company. That approval allowed the Trust in principle to cut its stake to 25 per cent.

Wellcome has until the end of the week to persuade Wellcome Trust, with a 39.5% stake, not to sell to Glaxo

The European Commission and the US might raise objections on monopoly grounds. But several City analysts said yesterday that this was unlikely, given that the combined company would have a market share in either market of about 5 per cent.

Nor does there appear to be a long list of rival drug companies in a position to make a counter offer for Wellcome.

One US financier regarded a counter bid as unlikely because of perceived problems with Wellcome's product portfolio.

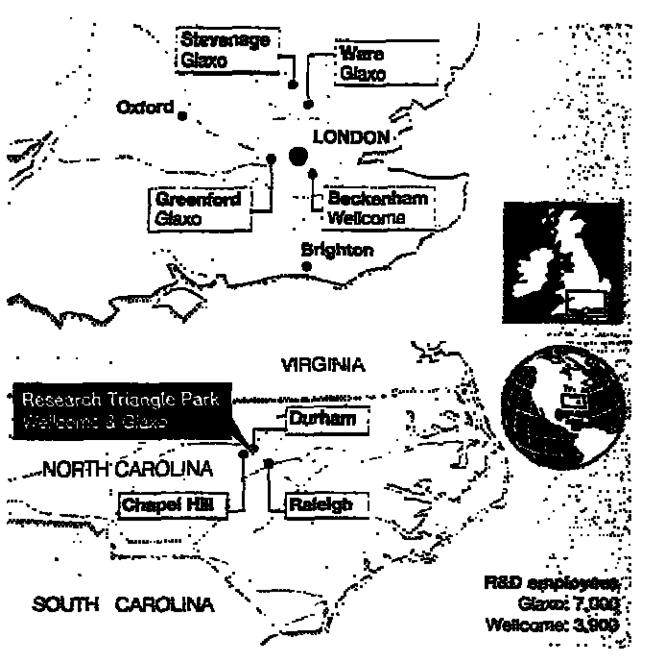
The company's biggest product, the anti-viral Zovirax, loses patent protection in the US in 1997, exposing it to competition from cut-price generic versions.

The two largest European drugs companies with acquisitive strategies are Hoechst of Germany and Switzerland's Roche. But Hoechst has just completed a series of board changes and Roche is still digesting last summer's $5.3bn (£3.39bn) acquisition of Californian drugs company Syntex.

A bid from anywhere else was unlikely because Glaxo had the flexibility to increase its offer, said one London analyst. "The acquisition as it stands would enhance earnings per share from the first year. I'm sure Glaxo could afford to pay more and suffer an earnings per share fall with an enhancement thereafter."

Daniel Green

Where the R&D is



R&D targeted for cost cutting

City analysts' estimates for potential savings varied from about £400m to £600m ($950m) a year. With no further comment from Glaxo some admitted that their methods were little more than guesswork. One said: "I added the two companies' cost bases and took off 10 per cent," while another commented: "It isn't going to end up smaller than Glaxo is on its own. That means a maximum of, say, 15,000 job cuts at about £25,000 a year each in savings."

Wellcome has 17,000 employees and Glaxo 45,000. Analysts agree the scope for cost-cutting is great, and that the axe is likely to fall across all divisions in both companies.

Glaxo considered a bid more than five years ago, according to a former senior executive. "It was always proposed as a rationalisation exercise. The company decided that any acquisition would have to include substantial cost savings."

He confirmed that the overriding objective in courting Wellcome would be to increase its market share significantly while achieving cost savings on their combined marketing, sales and research activities.

Sales and marketing is the biggest single cost in any large drugs company, using about twice the funds spent on R&D. However, Glaxo and Wellcome's products treat different medical conditions, so their salesforces are trained differently.

Glaxo appears to have many options. The two companies have almost 12,000 R&D staff between them. Wellcome has 3,900, most of whom work on one of two main sites, in the UK and the US.

The Beckenham site, south east of London, has 2,000 R&D staff, while 1,600 work at Research Triangle Park in north Carolina – where Glaxo also has its US research headquarters. Three hundred more are located around the world, including 50 in Japan.

In principle, either of the main sites would be simple to close, with staff that Glaxo wanted to keep moving to its new £700m R&D centre in Stevenage or a making the short hop at Triangle Park.

Daniel Green and Tim Burt

Japan holds large potential for increasing market share

Japan, the world's second biggest drugs market after the US, has not been a source of riches for either Glaxo or Wellcome.

The market was worth $18bn in the 10 months to October 1994, according to figures from the specialist market researchers IMS.

Local companies dominate, but many foreign-owned businesses have done well there too, either through joint ventures or, increasingly, on their own.

Although Glaxo is the world's number two drugs company by sales, it is only 44th in Japan with sales of £315m in the year to the end of June 1994.

Wellcome, at about 19th on the world scale, languishes at 70th in Japan with sales in 1993 of £189m.

Both have joint ventures there. Glaxo owns half of Nippon Glaxo, with the other half family owned. Wellcome has 55 per cent of its joint venture, the remainder held by Sumitomo, the diversified Japanese group.

Glaxo appears to have decided that it needs to change its strategy in Japan. Mr Hiroshi Konishi, executive director responsible for Japan, resigned from the board on January 4 to "devote all of his efforts" to the Japanese market.

It is believed that the move prepared the ground for Glaxo to increase control over its Japanese operation, perhaps to 100 per cent. Similar moves have been made by other drugs companies including Sweden's Astra, Glaxo's biggest rival in its most important market, anti-ulcer drugs.

Daniel Green

LEX COMMENT

Prudential's next steps

The Prudential urgently needs to put the departure of Mr Mick Newmarch behind it. The company should start by clarifying the mystifying circumstances of its former chief executive's resignation: the explanation so far has been terse to the point of implausibility. It should also move as swiftly as possible to find an enduring successor.

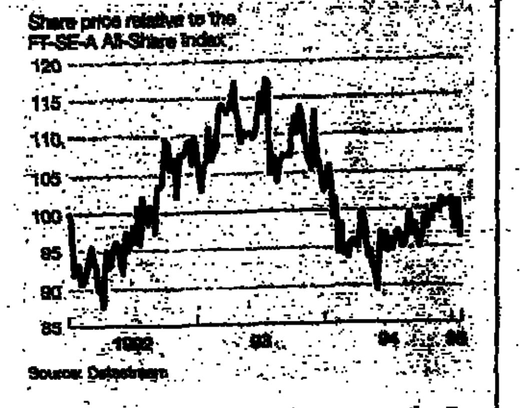
The promotion of a well-respected insider such as Mr Hugh Jenkins, currently chief executive of Prudential Portfolio Managers, would be a good stop-gap measure. Better in the long run would be to find an outsider with the necessary experience to take on a group of the Pru's complexity. This would help the Pru to persuade investors that the Newmarch departure was not a symptom of some deeper-seated management or organisational malaise.

If the Pru insists on remaining outside the regulatory mainstream, it would also be in shareholders' interests if its new chief executive presented a more emollient face to the outside world, especially to regulators.

The 4 per cent drop in the Pru's share price yesterday is tangible evidence of the damage Mr Newmarch's departure has done to the group's credibility. It is now down to the Pru to prove that the damage goes no deeper. Investors liked Mr Newmarch's strategy, in particular cost-cutting in the UK and aiming at growth markets in Asia and the US. The Pru must demonstrate that the strategy, and its implementation, has not been knocked irrevocably off course.

Prudential

Share price relative to the FT-SE-A All-Share Index



Source: Datastream

Meggitt sacks management team at a US subsidiary

By Tim Burt

Meggitt, the electronics and engineering group, has sacked the entire management team at one of its main US subsidiaries after they failed to stem losses, forcing it to issue a profits warning.

Shares in the group closed 12½p down at 64½p after it admitted that Plastic Fabricating, its aerospace components business based in Wichita, Kansas, had run into production difficulties.

The previously profitable subsidiary, which in 1993 accounted for 5 per cent of the group's £360m turnover, made losses last year of £3m.

Mr Nigel McCorkell, deputy chairman, blamed the shortfall on management problems and said six senior executives had been dismissed. "During the year Plastic Fabricating experienced increasing manufacturing difficulties which have resulted in the company taking a significant inventory write-off in the second half," he added.

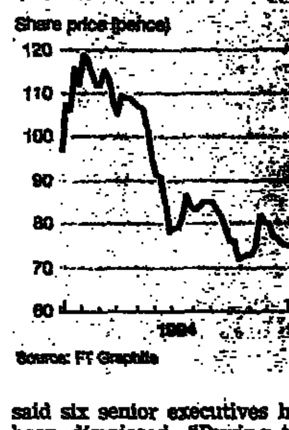
Those write-offs are expected to peg 1994 full-year profits at £15m, against earlier forecasts of £18m.

Although executives have been seconded from the UK in an attempt to solve the problems, Mr McCorkell warned there could be further job losses at the plant.

The shares were also dented by a warning that prospects in the aerospace industry remained uncertain, despite improved trading from some of the company's defence and aviation subsidiaries. However, the group intends to maintain a final dividend of 2.63p – offering a yield of almost 8 per cent.

Meggitt

Share price (pence)



Source: FT Graphite

Discounts of £200 offered to small investors in power sale

By Peggy Hollinger

The government yesterday promised individual investors bonus shares, or discounts worth up to £200, on the proposed £4bn ($6bn) sale of its remaining stake in the UK's two largest electricity generators, National Power and PowerGen. The move is part of an effort to encourage wider share ownership through "share shops".

It follows the pattern set by BT3, which raised £5bn in 1993 through the sale of British Telecom shares. In that offer, more than 60 per cent of those taking up the retail incentives chose the bonus share option, according to Barclays de Zoete Wedd, which with Kleinwort Benson is advising the government on the share sale.

UK investors who apply for shares through share shops will be entitled a discount of 25p on each of the first 800 allocated, or they could opt to receive a one-for-15 bonus on the first 1,200.

Those who choose the discount will have to hold the shares until 1997. Investors opting for the bonus incentive will be required to hold the shares until March 31 1998. Based on yesterday's closing prices of 477p for National Power and 538p for PowerGen, the bonus share option could be worth £401.

The government, which raised £2.1bn from the sale of 60 per cent in 1991, is selling the remaining 40 per cent through public and tender offers in partly paid form, with instalments due in three separate tax years.

In the UK public offer, the shares will be sold in packages comprising three National Power and two Power Gen.

The 25p discount will be spread over the second and third instalments and is in addition to a universal discount for retail investors. In the BT3 offer, private investors were offered shares at a 10p discount to the price paid by institutions.

The prospectus, which is due to be published on Monday, will set the price of the first and second instalments.

The global selling syndicate of 17 banks will then begin marketing the shares to institutional investors around the world.

The third instalment, and thus the full offer price, will be set in mid-February after gauging the interest from institutions.

Domino spot on overseas

Increasing market share in North and South America and and increasing inroads into the Asian and Pacific markets helped Domino Printing Sciences, the ink-jet printer maker, to raise pre-tax profits by 44 per cent from £9.1m to £13m ($20.3m) in the the year to October 31. US sales grew by 31 per cent to £31.1m. In Asia and the Pacific, sales grew from £9.6m to £12.6m helped by a 5 per cent increase in sales to Japan and new contracts in China. European markets remained sluggish.

Zeneca second-half growth in line with expectations

By Jenny Luesby

Zeneca experienced a sharp rise in the profitability of its agrochemicals business last year, and improved pharmaceuticals sales, despite deteriorating market conditions in the US and Italy.

In a quarterly trading statement, the group said sales and profit growth in both its pharmaceuticals and agrochemicals businesses were similar in the second half of 1994 to those in the first half. Analysts said that this was absolutely in line with market expectations.

Pharmaceuticals sales rose by 6 per cent, and trading profits by 7 per cent in the first half of last year. Agrochemical sales rose by 8 per cent, but profits jumped by 46 per cent.

In the specialities division, sales growth slowed in the second half of the year, but profits were expected to have shown some improvement, the group said. It confirmed exceptional charges of £100m for last year, to cover the cost of restructuring in the agrochemicals and specialities businesses.

On patents, it said that four of its pharmaceutical products had gained patent extensions under the US implementing legislation for Gatt. The patent on the anaesthetic Diprivan, which had been due to expire in November 1996, had gained six months. The cancer treatment Zoladex, due to expire in July 1997, gained 21 months.

It began patent infringement proceedings last week, under its US patent for its breast cancer medicine, Nolvadex, against Novopharm, the Canadian generic drug company.

German move by CIA Group

By Diane Summers

CIA Group, the UK's largest independent media buyer, has bought a 21 per cent stake in Mediahaus Ströbel Holding, the German media specialist, and will purchase the remaining 79 per cent of the company in the first half of 1998, the group announced yesterday

CIA paid an initial £1.2m cash for its stake in Mediahaus and has made an additional capital contribution of £850,000 ($1.3m). A further payment of between £1.2m and £15m, payable in 1998-1999, will depend on Mediahaus's profits.

CIA said part of this further payment would be made through the issue of new ordinary shares which would not exceed 15 per cent of CIA's enlarged share capital.

Mediahaus, based in Düsseldorf, is the holding company for a group of media specialists mainly in Germany but also operating in Switzerland, the Czech Republic, Poland, Slovakia and Hungary. Turnover in 1993 was some £150m and clients include Audi, Microsoft and Rothmans.

Mr Jürgen Ströbel, Mediahaus chief executive, will join the board of CIA Medianetwork, the group's European holding company.

CIA said the purchase would consolidate the group's position as Europe's second largest independent buyer of advertising media.

Mr Chris Ingram, chairman, said: "The acquisition provides us with the opportunity to introduce into Germany and Eastern Europe the products and services that CIA Medianetwork has already developed elsewhere."

J Sainsbury to acquire DIY stores

By Tim Burt

J Sainsbury, Britain's largest grocery chain, is expected to announce today that it is acquiring more than 200 Texas Homecare stores from Ladbroke Group, the leisure company, for close to £300m ($468m).

That would turn Homebase, Sainsbury's do-it-yourself chain, into Britain's second largest home improvement retailer behind B&Q, marking Ladbroke's withdrawal from retailing after 15 years.

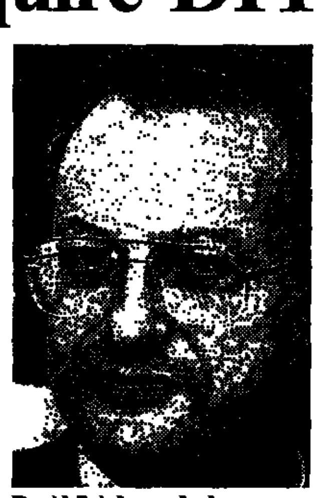
The deal would allow Ladbroke to concentrate on its core hotels and gaming activities, while enabling Sainsbury to rapidly expand Homebase without having to rely on new out-of-town sites.

It follows more than six months of talks and may signal a more acquisitive expansion strategy by Mr David Sainsbury, chairman.

"Sainsbury could afford to finance this deal just from one year's cashflow," said Mr Bill Currie, retail analyst at Barclays de Zoete Wedd. "It's one of the reason why they have been more aggressive under David Sainsbury."

The group, which last year generated cashflow of £990.9m from its operating activities, is expected to finance the Texas acquisition from cash reserves and borrowing.

Analysts said the acquisition indicated more robust tactics by Sainsbury, which last year spent $325m on a stake in Giant Food, the US supermarket chain, and tried to outbid Tesco for control of Wm Low, the Scottish retailer. Others doubted that Sainsbury could extend the 7 per cent margins enjoyed by Homebase to Texas's stores. "They are different entities. Homebase has made a success of going up-market; Texas specialises in lower margin items such as cement," said one analyst. "It won't be easy to bring them together."



David Sainbury: deal may signal expansion strategy

Homebase demonstrated the success of its format last year by increasing interim profits by 34 per cent to £15.3m. Texas, by comparison, saw first half profits fall from £16.6m to £2m.

Sainsbury, however, is said to have been impressed by the results of an extensive restructuring at Texas, which has embarked on a radical cost-saving programme and shed 900 management jobs.

Ladbroke shares closed up 1p at 165p. Sainsbury was unchanged at 413p.

Pathfinder indicates £40.7m pre-tax for 1994 after charges

£20m exceptionals will hit Albright

By Jenny Luesby

Albright & Wilson, which is being floated to become the UK's fifth largest chemicals company with an estimated market value of £600m ($936m), yesterday estimated its 1994 operating profits at £62.7m, or nearly 10 per cent of sales.

However, in its pathfinder prospectus, the company, wholly owned by Tenneco of the US since 1978, said it also expected to post £20.2m of exceptional charges, which would reduce pre-tax profits to £40.7m.

The charges were for:

- a rationalisation of the surfactants division, the least profitable of Albright's three businesses;
- environmental costs incured as a result of earlier restructuring - notably in the clean-up of old plant; and,
- exchange rate losses in Mexico, where the company has a joint venture producing phosphates.

Phosphates have traditionally been at the heart of the company's operations. But since 1991, it has been moving away from their bulk production, into the purification of supplies which are either bought in or produced under a joint venture.

The company has thus maximised the market advantage from its leading acid purification technology.

Dr Robin Paul, the company's chief executive, said yesterday that when the company switched to the purification method it now uses it cut costs by some 30 per cent.

Profits in the company's phosphates division have since shot up, from £3.3m in 1991, to £44.6m in 1994 – on turnover of £222.4m.

This 20 per cent margin has been "the engine of growth" for the company as a whole, Dr Paul said.

It has concentrated its surfactants division in the high value-added production of cleaning material and toiletry ingredients, and set up a third division in speciality chemicals, such as flame retardants.

Dr Paul said yesterday that the company's estimated net assets at the end of 1994 were £327.2m, against net debt of £39m.

With gearing of 12 per cent, he said, the company was beginning life as a public company with an unusually strong balance sheet.

NEWS DIGEST

Shandwick ahead to £7.33m

Shandwick, the public relations group, reported a 53 per cent rise in pre-tax profits from £4.8m to £7.33m (£11.4m) on turnover up by 5 per cent from £162.5m to £170.5m in the year to October 31.

The improvement was mainly the result of lower interest payments, which fell to £4.83m (£6.61m) after the company used funds from last year's £18.9m rights issue to reduce net debt from £67.3m to £46m.

Operating profits, meanwhile, rose from £11.4m to £12.2m as the group enjoyed increased fees from new and existing clients, particularly in North America.

Operating profits in the UK, however, slipped to £4.7m (£5m) as Shandwick fought to rationalise non-core businesses such as printing and design.

The company also announced plans to withdraw from advertising by selling its small UK subsidiary to a management buy-out team.

Earnings per share rose to 4.1p (1.8p) – recalculated after writing back a 1993 £3.77m tax credit and advance corporation tax. A 0.87p final dividend is recommended for a 1.3p total. There was no payment last year.

Watson & Philip

A £4.6m goodwill write-off knocked pre-tax profits at Watson & Philip back from £12.5m to £10.6m (£16.5m) for the year to October 31.

At the operating level, however, the Dundee-based food distributor and convenience store operator, lifted profits from £12.7m to £16m.

Total sales declined from £573.8m to £440.6m, reflecting the group's exit from wholesale grocery distribution, subcontracted to Spar/VG. Under its agreement it will continue to receive a profits stream from Spar over six years.

The convenience store division lifted operating profits from £4.93m to £7.95m on sales up from £154.7m to £204.2m. Profits in the food service division rose from £1.43m to £2.28m on sales ahead from £81m to £91.7m.

Basic earnings per share were 18.1p (26p). Without the goodwill write-off, earnings were 30.4p. The board is proposing a final dividend of 10.6p (9.9p), giving a total for the year of 15.3p (14.3p).

Forecast profits this year of £17.4m give a prospective multiple of 12.5 and a yield well above 5 per cent.

Wellman buys

Wellman, the specialist engineer, is buying Graham Manufacturing from Graham Corporation of Betavia, US for a nominal amount and the assumption of £2.2m ($3.43m) debt.

In 1993 Graham Manufacturing incurred a pre-tax loss of £232,000 on sales of £10.7m. Net assets at the year end were £3.6m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cantors	6 mths to Oct 22	29.1	(29.8)	0.11	(0.56)	0.43	(2.42)	1	Apr 6	1	-	4
Daejan Holdings	6 mths to Sept 30	14.4⁎	(12.4)	11.12	(8.39)	46	(34.9)	12	Mar 16	12	-	29
Davies (DY) §	6 mths to Oct 31	2.91	(2.5)	0.04L	(0.12L)	0.6L	(1.8L)	-	-	-	-	-
Domino Printing	Yr to Oct 31	89.9	(81.6)	13.03	(9.06)	32.9	(23.07)	8.4	Sept 9	5.3	9.6	7.85
Mitie Group	6 mths to Sept 30	60.2	(46.6)	1.85	(1.39)	4.9	(3.6)	1.3p	Apr 3	1p♥	-	2.25
Shandwick	Yr to Oct 31	170.5	(162.5)	7.33	(4.8)	4.5	(6)	0.87	Apr 18	nil	1.3	nil
Shield Group	6 mths to Sept 30	2.13	(0.93)	0.32L	(0.005)	6.7L	(3.2L)	-	-	-	-	-
Watson & Philip	Yr to Oct 30	440.6	(573.9)	10.64	(12.52)	18.1	(26)	10.6	Feb 24	9.9	15.3	14.3

Investment Trusts		NAV (p)		Net Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Contra-Cyclical	6 mths to Dec 31	41.99	(56.8)	0.56	(0.52)	7.01	(6.53)	2.25⁂	Feb 28	2.25	-	9.5
M&G	Yr to Dec 31	2903.12	(3199.05)	4.11	(4.04)	71.45	(70.34)	40.9	Mar 6	39.79	71.45	70.34
Murray Smaller	6 mths to Nov 30	463.8	(446.9)	1.41	(1.66)	2.51	(2.99)	1.58	- ☆	1.42	-	4.37
Scottish National‡	3 mths to Dec 31	35.2	(42.9‡‡)	2.95	(2.5)	1.83	(1.55)	1.55	Apr 7	1.55	-	7.5

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ☆Paid on January 6. ♥Adjusted for share split. ⁂Third interim. ‡Split capital trust. ‡‡At Sept 30. ⁎Gross income.

COMMODITIES AND AGRICULTURE

Aluminium at fresh peak as stocks fall continues

By Kenneth Gooding, Mining Correspondent

Aluminium prices on the London Metal Exchange yesterday surged to a fresh 5¾-year peak after the exchange revealed another substantial fall in its stocks of the metal.

The market also reacted favourably to news from Norway that a meeting expected to take place next month between some of the world's biggest aluminium producing countries had been postponed because "the market looks positive and there are no problems to discuss for the time being".

Aluminium for delivery in three months reached US$2,194 a tonne at one stage yesterday before easing back to close on the LME at $2,187.50, up $21.

Analysts suggested the price might move up a little more before weakening towards the end of this year. Sumitomo, the Japanese trading organisation, said strong demand was likely to help aluminium to $2,300 a tonne early in 1995 but the price would fall gradually by the year end to between $1,500 and $1,600.

The LME said yesterday its stocks had fallen another 18,925 tonnes to 1.6m.

Supply has been held back by the so-called Memorandum of Understanding signed by trade delegates from Australia, Canada, the European Union, Norway, Russia and the US in February last year after which producers in those countries cut output. Many analysts suggest the MOU will not be unwound until LME stocks are reduced below 1m tonnes.

There were some fears, however, that the follow-up meeting planned for next month in Oslo might have resulted in the MOU scheme being dismantled, particularly as the US producers were under pressure from their domestic consumers. The Justice Department is investigating to see if anti-trust rules have been broken.

Nevertheless, the US government remains supportive of the scheme. Mr Mickey Kantor, US trade representative, told the US National Soft Drinks Association recently: "The US has no intention of permitting a world cartel in aluminium, nor did this MOU create one. Whatever the cause of the recent price movements in the aluminium market, a shortage of available primary aluminium should not be a problem."

Sierra Leone raid hits rutile supplies

By Kenneth Gooding

Armed rebels in Sierra Leone who attacked two mines in the west African republic in past week have taken hostages and forced the evacuation of other employees. One of the mines usually produces about 25 per cent of the world's rutile, a mineral used mainly as a whitener in paint.

The other mine, owned by Alusuisse, the European group, is a medium-sized producer of bauxite, the ore from which aluminium is produced, with an annual output of about 1.2m tonnes.

Seven Europeans and ten Sierra Leoneans were abducted in the attacks. The Revolutionary United Front, a shadowy group with no clear political aims, threatened to kill hostages unless foreign nations, particularly Britain, stopped arming the military government.

However, two of the captives were handed over to representatives of the International Committee of the Red Cross yesterday and an ICRC official said the organisation was working to obtain the release of the rest.

Meanwhile, Consolidate Rutile, the Australian group that paid US$54m for half the rutile mine in November, 1993, said communications with the mine, about 130km south east of the capital Freetown, had broken down so it was not possible to say if there were casualties or damage to the mine. Some 300 employees had been evacuated along with 100 Malaysian contract workers who were building a dredge at the site.

The new dredge concentrator is part of a US$72m expansion of the mine, which was well advanced and designed to increase annual capacity from about 160,000 to 190,000 tonnes.

Nord Resources of the US owns the other half of the mine, which in 1993 accounted for more than half of Sierra Leone's total foreign earnings of US$108m. It is also the country's biggest employer, with 1,500 on the payroll.

Rutile is just one source of the slag from which titanium dioxide pigment, used to whiten paint and as a filler in paper, plastics, textiles and rubber, is made. Rutile is the source of about 10 per cent of titanium dioxide pigment while ilmenite provides all the rest.

However, the Sierra Leone mine represents more than half of Consolidated Rutile's assets and the company's shares fell by one third in two days this week, from A$4.65 to $3.10 yesterday.

Alusuisse said 700 people had been evacuated by government helicopters from its bauxite mine in the Mokanji hills.

Sierra Leone is a former British colony of 4.7m people in a small country the size of Scotland. The Revolutionary United Front, headed by Mr Foday Sankoh, launched its revolt with the backing of Liberian rebels in March, 1991. The RUF kept up its campaign even though President Joseph Momoh was overthrown in April, 1992, in a bloodless military coup headed by Captain Valentine Strasser, 27, known as "the Redeemer".

Safeguarding an environmental reservoir

Geoff Tansey on calls for a fundamental reappraisal of agricultural support policy

Safeguarding, managing and enhancing the function of rural areas as an environmental reservoir will be the prime justification for support to agriculture in future, according to Mr Philip Lowe, Duke of Northumberland Professor of Rural Economy at the University of Newcastle upon Tyne.

His claim came in the first of a series of public lectures presented by the Centre for Rural Economy last week in which he called for a fundamental reappraisal of policies and institutions dealing with the rural economy. "Agricultural policy becomes rural environmental policy," he said.

Rural areas were the sites for the supply and replenishment of renewable resources, such as plants, animals, the soil, air and fresh water, and continuing resources such as wind, solar energy and water power, said Mr Lowe. Safeguarding that environmental reservoir was the chief aim of rural planning, while its maintenance, and society's access to it, depended upon those who owned and managed the land.

"Already some farming groups have accepted this logic. And it is accepted that public finance will be needed to support the management of the rural environment," he said. That did not simply mean repackaging food production supports under a new heading, as some groups envisaged.

At present the UK government spends about £200m on rural environmental management covering about a quarter of the country's land surface. One scheme, Environmentally Sensitive Areas, was suggested by Britain to the European Community in the mid-1980s. In the UK it now accounts for about £100m in payments to farmers for using traditional, environment-friendly farming practices and for giving up intensive production.

But much of this money goes to farmers who do not actually change what they are doing, according to Mr Martin Whitby, one of the centre's two co-directors and editor of a study of seven areas in the UK with ESA status – Incentives for Countryside Management: The Case of Environmentally Sensitive Areas, CAB International.

"If they are offered money for farming in a particular way, it goes most easily to those who do not have to change and has therefore produced an increase in farmers' income" he says. ESAs do, however, achieve one key objective in CAP reform; that of decoupling the incentive to produce from income.

The European Union's present centralised common agricultural policy was "madness" said Mr Lowe, speaking after his lecture. "In southern Italy, Spain, Portugal, and Southern Ireland probably the most effective way of supporting poor people might be the CAP approach but in Britain it is not." What was needed for agriculture, which was such a diverse thing, taking place in diverse social circumstances, was more of a "menu" approach, with a range of "production-neutral" policies from which countries and regions could choose the forms of support most suitable for them.

The various production and input subsidies and price supports in the UK have not maintained marginal farmers, as is usually claimed, but rather has helped increase farm size and decreased the numbers of farmers, according to Mr Paul Allanson, Lord Richard Percy Fellow at the CRE.

The various supports have increased the capitalisation of agriculture, leading to the substitution of machinery for labour and encouraging farm amalgamations, he says, contrary to the usual arguments that the CAP supports marginal farmers and that if supports were removed farm sizes would increase. As evidence of this he points to the more or less steady mean farm size between 1875 and 1939, when agriculture received little support, and the growth in size since 1945.

The prosperity of rural areas depended on the regional economies in which they were set, said Mr Lowe, and the scope for farm diversification depended on the strength of those regional economies, not the other way round as the UK Ministry of Agriculture argued. To diversify income of farm families required developing off-farm opportunities in the wider rural economy.

The CRE's staff of nine has been much in demand recently in providing assistance and briefings for various lobby groups and civil servants in preparation for the government's first White Paper on the rural areas, public submissions for which closed last Friday.

Mr Lowe said the White Paper was long-overdue. As well as safeguarding the public interest in rural areas, new policies should also deal with the specific disadvantages of rural living, he argued.

Today the main disadvantages were not, as in the past, remoteness per se, nor dependence on farming – which accounts for only about 10 per cent of rural employment, according to Mr Whitby. The key problem, said Mr Lowe, was social exclusion, which "is especially felt by those tied to a locality and suffering restricted choice through low income or lack of transport". A highly mobile, prosperous and conservation-minded middle class now dominated many rural areas in Britain, where levels of car ownership were far higher than in urban areas. But for the significant minority of people without cars or access to them – including the young and old – their mobility was "less than those of villagers 50 or 100 years ago". That was "shocking" in itself, said Mr Lowe, "but even more so when you remember that most villages that once had a local school, a local general store, a local garage, a local nurse, a local policeman now have none of these".

He wants the White Paper to clarify what levels of service people should have a right to expect, wherever they live, and how this should be reflected in the requirements imposed on public and private providers of services. Local authorities should have to ensure basic mobility and access to information services for all citizens; while government and local planning authorities should refocus rural planning constraints on the safeguarding of natural capital.

MARKET REPORT

Profit-taking trims base metal price gains at LME

Base metal prices came in for some late profit-taking at the London Metal Exchange yesterday, although traders thought the uptrend remained basically intact.

COPPER prices, though still consolidating, are near the top-end of the current technical band, so an upward break is favoured in the short-term. The three months price moved above $3,050 helped by market talk of a possible strike at Chile's Enami operation, where a labour contract expires at the end of the month.

The NICKEL market tested fresh 4½-year highs during after hours trading as it built on earlier gains and an impressive fall in LME warehouse stocks.

The three months position hit a high of $10,310 a tonne before finishing the session at $10,295, up $165. Traders said market sentiment was basically driving the nickel uosurge, helped yesterday by news that Russia's Norilsk complex, the woprld's biggest producer was not expected to raise exports in 1995.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−18,925	to 1,606,700
Aluminium alloy	+20	to 30,900
Copper	−2,375	to 310,200
Lead	−450	to 332,376
Nickel	−1,764	to 143,394
Zinc	−4,700	to 1,176,250
Tin	+10	to 27,945

At the London bullion market the GOLD price managed to hold above $380 a troy opunce in subdued trading. It closed at $381.70, down 40 cents. Dealers said initial support seemed to be holding around $381, although they recognised it had yet to be seriously tested. A break below that could see the price fall to between $377 and $378, they added.

COCOA futures prices dropped at the London Commodity Exchange in light dealings, undermined by selling by disappointed holders of long positions. The disappointment was caused by the London market's failure to hold above £1,000 a tonne in nearby positions and the New York market's failure seriously to test $1,400 on its March contract in recent trading.

Robusta COFFEE futures ended near the day's lows after surrendering early gains on arbitrage-linked selling. Traders said, however, that the market's tone remained steady. The March position was down $67 at $2,850 a tonne.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2149-50	2187-8
Previous	2129-30	2166-67
High/low		2194/2178
AM Official	2142-3	2181-1.5
Kerb close		2188-9
Open int.	232,352	
Total daily turnover	65,889	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	2030-40	2070-75
Previous	2005-15	2045-55
High/low		2070/2060
AM Official	2030-40	2060-70
Kerb close		2060-70
Open int.	2,811	
Total daily turnover	534	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	687-8	703.5-4.0
Previous	692-3	708-9
High/low		710/701
AM Official	686-7	701-1.5
Kerb close		707-9
Open int.	37,724	
Total daily turnover	12,950	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	10080/90	10258/60
Previous	9935-45	10105-10
High/low		10310/10100
AM Official	9999-10000	10175-79
Kerb close		10290-300
Open int.	60,798	
Total daily turnover	8,992	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6450-60	6550-60
Previous	6450-60	6550-55
High/low	6445	6555/6520
AM Official	6445-50	6522-5
Kerb close		6555-65
Open int.	22,501	
Total daily turnover	5,623	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1190-1	1216-7
Previous	1194-5	1221-22
High/low	1185	1222/1205
AM Official	1184-5	1210.5-11.5
Kerb close		1216-7
Open int.	100,603	
Total daily turnover	19,242	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3044.5-5.5	3048-9
Previous	3032-33	3038-7
High/low	3034/3033	3056/3016
AM Official	3032-3	3038-9
Kerb close		3051-2
Open int.	233,543	
Total daily turnover	58,319	

■ LME AM Official £/$ rate: 1.5996
LME Closing £/$ rate: 1.5962

Spot:1.5970 3 mths:1.5958 6 mths:1.5948 9 mths:1.5934

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	381.6	+0.4	-	-	37	40
Feb	381.8	+0.4	382.2	380.8	55,533	57,585
Mar	383.4	+0.3	-	-	5	-
Apr	385.1	+0.3	385.6	384.1	27,136	9,752
Jun	388.8	+0.2	389.5	387.8	27,365	989
Aug	393.0	+0.2	393.0	392.6	15,827	333
Total					179,036	78,649

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	415.8	+2.2	-	-	34	-
Apr	418.1	+1.5	419.9	416.5	17,398	3,614
Jul	423.1	+1.3	422.5	422.5	4,040	221
Oct	427.9	+1.3	-	-	1,087	13
Jan	431.6	+1.3	-	-	150	2
Total					22,709	3,858

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	159.75	+0.45	160.00	159.00	6,007	334
Jun	161.00	+0.45	161.50	160.00	968	20
Sep	162.00	+0.45	-	-	275	-
Dec	162.75	+0.45	-	-	14	3
Total					7,264	357

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	481.4	+1.9	-	-	1	1
Feb	482.1	+1.8	-	-	2	1
Mar	483.7	+1.7	485.0	481.0	65,732	19,297
May	489.4	+1.7	490.5	487.5	13,614	1,121
Jul	495.6	+1.7	496.5	493.5	8,048	305
Sep	501.9	+1.7	502.0	501.0	9,858	23
Total					131,146	21,420

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.36	+0.26	18.40	18.06	1,467	12,024
Apr	18.22	+0.25	18.25	17.96	101,863	51,117
May	18.15	+0.23	18.13	17.90	48,360	18,477
Jun	18.01	+0.21	18.05	17.80	23,490	5,393
Jul	17.98	+0.22	17.98	17.78	30,740	2,968
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	109.35	-0.10	109.30	109.15	1,353	-
May	111.20	+0.10	111.20	110.90	1,915	27
Jul	112.75	+0.15	112.80	112.40	361	16
Sep	97.80	-0.35	97.75	97.70	105	3
Nov	98.95	-0.25	99.00	98.80	1,509	7
Jan	100.85	-	100.75	100.75	102	61
Total					5,524	120

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	373/4	-1/2	376/6	373/0	36,635	6,724
May	358/2	-2/0	361/6	358/0	10,678	1,922
Jul	338/2	-2/4	341/4	338/0	18,503	1,747
Sep	343/0	-2/2	346/0	342/4	1,268	79
Dec	353/4	-2/0	356/0	353/0	632	34
Mar	358/2	-1/6	-	-	14	2
Total					67,746	10,506

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	233/2	+0/2	233/6	232/4	114,520	22,358
May	240/0	+0/2	240/4	239/2	64,502	4,987
Jul	244/4	+0/2	245/0	244/0	58,219	3,929
Sep	248/4	-	249/0	248/2	9,273	510
Dec	252/0	-	252/4	251/4	44,546	3,962
Mar	259/0	+0/2	259/2	258/4	5,331	442
Total					300,300	38,544

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	104.85	-0.70	105.30	105.30	290	-
May	106.50	-0.50	-	-	79	3
Sep	97.35	-0.60	-	-	50	-
Nov	98.65	-0.35	-	-	114	-
Jan	100.15	-	-	-	41	-
Total					574	3

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	553/4	+0/6	554/6	551/6	56,972	15,722
May	562/0	+1/0	563/0	560/4	30,497	5,987
Jul	568/2	+1/4	569/2	566/4	28,586	4,755
Aug	571/4	+2/2	572/0	570/0	3,087	232
Sep	573/2	+1/2	573/6	571/4	2,652	79
Nov	581/4	+0/6	582/6	580/0	15,866	871
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	983	-9	990	976	35,633	1,720
May	987	-7	991	981	18,896	1,002
Jul	998	-7	1000	991	9,763	215
Sep	1008	-9	1010	1003	15,454	234
Dec	1020	-9	1022	1016	12,619	130
Mar	1029	-10	1033	1029	11,466	69
Total					111,831	3,429

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1355	-4	1357	1338	29,696	4,354
May	1386	-4	1388	1370	18,650	2,047
Jul	1412	-4	1409	1396	8,187	182
Sep	1432	-4	1420	1415	2,678	8
Dec	1456	-4	1440	1438	4,620	274
Mar	1481	-4	0	0	6,885	74
Total					78,991	6,920

■ COCOA (ICCO) (SDR's/tonne)

Jan 23	Price	Prev. day
Daily	1012.88	1017.82

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2845	-75	2924	2869	141	41
Mar	2848	-69	2935	2845	14,637	3,103
May	2808	-66	2888	2810	8,487	1,904
Jul	2795	-54	2859	2800	2,463	64
Sep	2808	-55	2869	2810	3,100	65
Nov	2803	-58	2860	2860	710	2
Total					29,814	5,181

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	166.60	-2.95	170.10	164.50	15,322	3,325
May	167.75	-2.75	171.25	165.75	9,700	949
Jul	168.30	-3.00	170.75	167.00	4,107	482
Sep	168.40	-2.76	170.75	167.50	2,824	357
Dec	167.80	-2.70	170.00	166.75	3,127	87
Mar	166.75	-2.50	168.70	166.50	268	-
Total					35,395	5,200

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.350	-0.500	75.200	74.275	23,172	5,071
Apr	74.325	-0.850	75.200	74.250	38,970	6,431
Jun	68.050	-0.200	68.725	67.975	12,720	2,470
Aug	65.075	-0.225	65.650	65.050	5,380	674
Oct	68.125	-0.125	68.550	68.025	734	28
Dec	66.950	-0.025	67.250	66.900	433	17
Total					83,991	14,963

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.275	-0.575	40.850	40.200	9,360	2,345
Apr	40.375	-0.475	40.825	40.350	14,536	2,189
Jun	45.700	-0.400	46.150	45.625	7,134	916
Aug	44.550	-0.100	44.700	44.450	1,815	223
Oct	41.750	-0.100	41.900	41.700	1,954	94
Dec	42.550	+0.050	42.550	42.400	1,809	69
Total					37,348	5,867

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	43.750	-0.275	44.375	43.450	4,315	1,153
Mar	44.450	+0.025	44.800	44.050	3,128	926
May	45.250	-0.025	45.600	45.150	1,297	238
Jul	46.275	-0.125	46.550	45.950	1,237	139
Aug	44.000	+0.375	44.400	43.600	235	35
Feb	51.950	+0.450	52.000	-	47	19
Total					1,738	516

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2100	155	206	70	117
2150	103	157	117	166
2200	65	117	178	223
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2900	-	148	-	123
3000	134	104	80	177
3100	86	-	130	-
■ COFFEE LCE	Mar	May	Mar	May
2700	186	257	40	149
2750	154	230	56	172
2900	124	206	76	198
■ COCOA LCE	Mar	May	Mar	May
950	44	69	11	32
975	28	55	17	43
1000	17	44	34	57
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	101	102	23	56
1650	68	86	41	80
1700	46	58	67	98

LONDON SPOT MARKETS

[illegible]

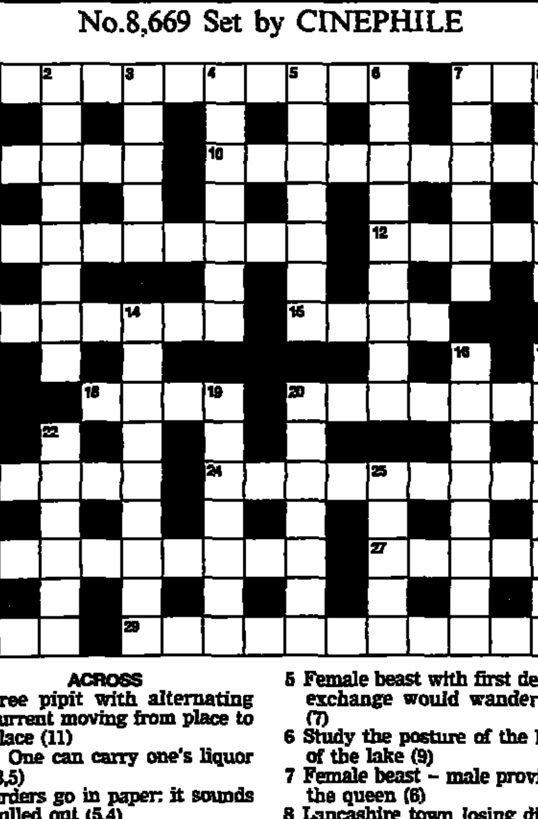
Minor Metals

[illegible]

JOTTER PAD

CROSSWORD

No.8,669 Set by CINEPHILE



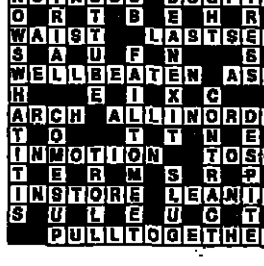
ACROSS

1 Tree pipit with alternating current moving from place to place (11)
7, 9 One can carry one's liquor (3,5)
10 Orders go in paper: it sounds pulled out (5,4)
11 Reporter sounds like a drink (9)
12 We are an abstraction (5)
13 Be prone to confess having been economical with the truth (3,4)
15, 18 Poor foundation for financial institution, not on the rocks? (8)
20 Belgian with change of leader finds fault (7)
23 Object to unconvincing note (5)
24 Success for direction in department has blown over, as it were (9)
26 Like asbestos, if put back there's a scolding (9)
27, 28 Purpose of a walk to return slave his wig? (5,3)
29 Cyclist's vade mecum decided beforehand with somewhat unctuous insertion (8,3)

DOWN

1 Advertisement for dance grows rapidly (8)
2, 22 Nourish opinion by newspaper to be looked at regularly (4-4,6)
3 A face on the hearth? (5)
4 Crushed? Not even in an endless river (7)
5 Female beast with first dental exchange would wander off (7)
6 Study the posture of the lady of the lake (9)
7 Female beast – male provided the queen (6)
8 Lancashire town losing direction very fast (6)
14 Orders go in paper: it squeaks when squeezed (6,3)
16 Eternal student, it seems, unhappily (8)
17 Beast about to get a lift from gossip (8)
19 Bird in retreat climbing in Hong Kong (7)
20 New start in meat: it is a good thing (7)
21 Article on stick in Fingal's isle (6)
22 See 2
25 Seat right up to the present? (2,3)

Solution 8,668



INTERNATIONAL CAPITAL MARKETS

Belgium finds strong demand for $500m offer

By Martin Brice

Two sovereign borrowers raised funds in the euromarkets yesterday, while S.G. Warburg lead-managed its first deal since its restructuring and the market saw the rare sale of an unrated bond.

The Kingdom of Belgium brought its $500m five-year offering via J.P. Morgan, which said most of the bonds were placed by the end of the day, with many sales being made to investors switching out of other bonds. It aimed to place the rest of the deal overnight in Asia.

Daiwa handled the Kingdom of Sweden's Y100bn Samurai, a yen bond targeted at Japanese investors by a foreign issuer.

Beta Finance Corporation, the US investment group, brought its first public deal under its $10bn European medium-term note programme announced in December. Lead manager Morgan Stanley said the bonds were bought by UK institutions and European funds.

The two-year bonds, which carried an 8 per cent coupon, were launched at 34 basis points over Treasuries and held that spread when freed to trade.

The expected sterling issue from SNCB, the Belgian railway company, was brought via S.G. Warburg, its first lead-managed new issue since it announced it was scaling back its euromarkets operations.

Warburg said the £200m of bonds were launched at 9.30am and placed by 11am. The mandate was awarded after the roadshow run by Warburg last week.

INTERNATIONAL BONDS

The 25-year bonds, which carried a 9⅜ per cent coupon, were brought at 60 basis points over the 2017 gilt, and tightened in to 57 points when freed to trade.

The deal is in line with Warburg's strategy of concentrating on products relevant to its institutional clients.

Merrill Lynch handled the debut eurobond for Daily Mail and General Trust, the UK newspaper publisher, which raised £100m.

Merrill said the deal received a good response from UK institutions attracted by the strong corporate name, although the company has not been rated by the US credit rating agencies.

Mr Russell Chambers of Merrill Lynch said: "We believe the market will continue to develop for us to place more unrated issues in the future."

The 10-year bonds carry an option for the investor to register, which Merrill Lynch said makes this issue the second to be structured to allow the bonds to be eligible for inclusion in personal equity plans, as was announced in the UK Budget in November. The first was for Yorkshire Electricity via UBS.

Mr Adrian Perry, treasurer of Daily Mail and General Trust, said the funds would be used to refinance corporate borrowings recently increased by the purchase of T. Bailey Forman, the Nottingham newspaper publisher. That deal was completed on January 3 at a price of £93m.

This was Merrill Lynch's debut corporate eurosterling deal, and its third eurosterling bond since becoming a gilt-edged market-maker early last year.

When freed to trade, the spread tightened in from 76 basis points over the gilt to around 74 points over.

Service Corporation International, the US funeral company which in September paid £193m for Plantsbrook, the UK funeral group, raised £265m via J.P. Morgan, which said it had several large lead orders.

Commerzbank won its first mandate for a Japanese state-guaranteed entity and brought a DM750m offering from Exim Bank of Japan.

Commerzbank said this was the biggest D-Mark bond from a state-guaranteed entity, and it received good demand in Europe, mainly from central banks.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Belgium	500	8.25	99.90R	Feb.2000	0.25R	+27(M 5yr)	JP Morgan Securities
Swiss Bank Corp, Jersey Branch	200	8.00	99.73R	Feb.1999	0.225R	+16(a)	Swiss Bank Corp.
Beta Finance Corp.	200	8.00	99.93R	Feb.1997	0.125R	+34(M 2yr)	Morgan Stanley & Co. Intl.
Kuraray Co.(b)ϕ	100	4.50	100.00	Feb.1999	2.25	-	Daiwa Europe
STERLING							
Service Corp. International	265	9.625	100.00R	Jan.2002	0.375R	+75(9¾%-02)	JP Morgan Securities
SNCB(c)	200	9.375	99.94R	Feb.2020	0.625R	+60(8¾%-17)	SG Warburg Securities
Japan Finance for Muni.Ents.	130	9.125	99.217R	Feb.2005	0.325R	+31(8½%-05)	CS First Boston
Daily Mail & General Trust(d)	100	9.75	99.684R	Sep.2005	0.40R	+76(8½%-05)	Merrill Lynch International
D-MARKS							
Exim Bank of Japan	750	7.75	99.60R	Feb.2005	0.325R	+20(7⅜%-05)	Commerzbank
SWISS FRANCS							
GECC	250	5.375	102.65	Mar.1998	1.50	-	Merrill Lynch Capital Mkts.
ITALIAN LIRE							
EBRD	150bn	zero	91.705	Feb.1996	0.875	-	Banca Nazionale de Lavoro
LUXEMBOURG FRANCS							
Bayerische Landesbank(e)	3bn	8.125	102.05	May.2002	1.875	-	BCEE/ BIL
ECUS							
Bayerische Vereinsbank(e,f)	125	8.25	99.95R	Feb.1999	0.225R	-12½(5%-99)	Swiss Bank Corp.
HONG KONG DOLLARS							
EBRD(g)	500	9.53#	100.00R	Jan.2000	0.25R	-	UBS, Hong Kong Branch

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ϕWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Over interpolated yield. b) Pricing: 1/2/95. c) Puttable at par in certain events relating to loss of state control. d) Short 1st coupon. e) long 1st coupon. f) Spread relates to French govt Ecu BTANs. g) Short 1st & long last coupons.

European buy-out fund raises $65m

By Norma Cohen, Investments Correspondent

Coller Isnard, a firm which advises investors in venture capital, has raised $65m for a buy-out fund, the first of its type in Europe.

Buy-out funds, which have achieved growing popularity in the US, in effect provide liquidity for venture capital investment by creating a pool of buyers for the participations of existing investors in venture capital funds.

Venture capital investments typically require as long as 12 years for investors to realise their full returns, which is one reason why certain categories of investor avoid the sector.

Venture capital portfolio managers say that increasing the liquidity for the sector is likely to encourage new investors.

However, those seeking to withdraw before the fund is wound up are likely to have to sell their stake at a substantial discount to book value, in the region of 25 per cent.

The actual discount achieved may be even greater because conservative accounting rules which govern the valuation of non-marketable securities tend to understate the market value of venture capital investments.

The fund, sponsored by Baring, has attracted 22 financial institutions, foundations and individuals as investors. US-based investors, who are familiar with this type of fund, supplied 61.8 per cent of the capital, while European investors supplied 29.4 per cent.

Corporate and public sector pension funds were the largest single category of investor, providing just under half the funds.

The European venture capital and buy-out industry has grown to an estimated Ecu40bn in 1993 from Ecu3.5bn in 1984. So far in 1995, about 15 per cent of all the assets have been invested in six separate positions in venture capital funds.

US Treasuries edge lower as traders focus on policy

By Lisa Bransten in New York and Graham Bowley in London

The US Treasury market edged lower yesterday morning as the dollar weakened and traders awaited next week's meeting of the Federal Reserve's Open Market Committee.

At midday, the benchmark 30-year Treasury was down ⅛ to 95$\frac{5}{32}$ to yield 7.916 per cent. At the short end of the market, the two-year note fell $\frac{1}{16}$ to 99$\frac{29}{32}$, yielding 7.496 per cent.

With little important economic news due this week, traders focused on policy. President Bill Clinton was scheduled to give his State of the Union address yesterday evening and Mr Alan Greenspan, chairman of the Fed, was to speak today and tomorrow to three different Senate panels.

GOVERNMENT BONDS

The consensus on Wall Street holds that the Fed will raise interest rates at next week's FOMC meeting, but there is some speculation that the central bank might be deterred by the economic crisis in Mexico.

Other factors putting pressure on bonds included a declining currency market, with the dollar weakening against the Japanese yen and the D-Mark amid general nervousness on world financial markets, and a treasury auction of $17.25bn in two-year notes yesterday afternoon.

■ European government bond markets lacked direction in subdued trading, ahead of German M3 money supply data and the US FOMC meeting.

■ French bonds moved higher, amid signs of growing support for prime minister Edouard Balladur in the forthcoming presidential elections.

The March notional bond futures contract on Matif settled up 0.3 at 110.56. The short-end of the yield curve performed particularly well, analysts said.

The yield spread between December and March short-dated money market contracts has widened by about 50 basis points to 120 points this year.

"This is a sign that investors are now looking for a rate rise later rather than sooner," said Mr Steven Majorat of Crédit Lyonnais in Paris.

■ German government bonds rose ahead of the money supply data and regional cost of living indices, both expected today. In late trading, the German March futures contract on Liffe was up 0.17 to 89.49.

"The market is positioning itself in the expectation of bond-friendly numbers showing low inflationary pressures," said Mr Michael Burke, at Citibank in London.

The short-end of the market continued to perform well. Mr Burke said short-term money market rates have fallen by about 50 basis points since December, indicating that investors expect interest rates to remain unchanged until the second quarter of the year.

■ UK gilts ended the day flat, in spite of a Confederation of British Industry report showing strong economic growth and growing price pressures. The long gilt future was down $\frac{3}{32}$ at 100¼ in late trade.

Attention today will be on the £2bn auction of the new 8% 2015 gilt. Strong demand for the 25-year sterling eurobond launched yesterday for SNCB via S.G. Warburg demonstrated investor appetite for long-dated stock, analysts said.

Few redemptions from Latin American funds

By Philip Coggan, Markets Editor

Funds invested in Latin American shares lost around a fifth of their value in the last two months of 1994, according to figures compiled by Micropal, but there were few signs of investor redemptions.

At the end of October, the total amount invested in Latin American open-ended equity funds (those with a unit trust, or mutual fund, structure) was $6.04bn. By the end of December, this had fallen to $4.8bn.

However, virtually all of this decline was due to the fall in Latin American stock markets; only $7.4m was caused by investors redeeming their holdings.

The Mexican peso devaluation on December 20 provoked fears that investors in Latin American funds might panic and dump their holdings, leading to further stock market declines.

However, it may be that the peso news came too close to Christmas for investors to take action. Mr Ian Wilson, president of Micropal Emerging Market Funds Research, expects to see larger outflows from these funds in January.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	90.9100	+0.280	10.52	10.30	10.42
Austria		7.500	01/05	98.4300	+0.020	7.73	7.73	7.71
Belgium		7.750	10/04	95.4400	+0.320	8.45	8.49	8.35
Canada *		9.000	12/04	96.6000	+0.600	9.54	9.45	9.20
Denmark		7.000	12/04	86.9000	+0.230	9.06	9.04	8.73
France	BTAN	8.000	05/98	101.0400	+0.150	7.61	7.68	7.27
	OAT	7.500	04/05	95.1500	+0.300	8.21	8.21	8.14
Germany Bund		7.375	01/05	98.7200	+0.190	7.56	7.56	7.49
Ireland		6.250	10/04	82.3000	+0.100	8.78†	8.78	8.87
Italy		8.500	08/04	80.9400	-0.150	11.90	11.95	12.01
Japan	No 119	4.800	06/99	103.7820	+0.120	3.81	3.86	3.82
	No 164	4.100	12/03	96.2080	+0.150	4.71	4.72	4.56
Netherlands		7.250	10/04	96.7800	+0.140	7.72	7.72	7.68
Portugal		8.875	01/04	84.2500	-0.250	11.64	11.64	11.59
Spain		10.000	02/05	88.2400	+0.160	11.92	11.87	11.31
Sweden		6.000	02/05	68.9940	-0.050	11.11	10.98	10.81
UK Gilts		6.000	08/99	90-04	-1/32	8.68	8.57	8.53
		6.750	11/04	87-00	-1/32	8.75	8.65	8.58
		9.000	10/08	102-08	-	8.71	8.64	8.56
US Treasury *		7.875	11/04	100-04	-3/32	7.85	7.73	7.85
		7.500	11/24	95-05	+1/32	7.92	7.82	8.14
ECU (French Govt)		6.000	04/04	83.5000	+0.200	8.66	8.62	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

			Treasury Bills and Bond Yields			
Prime rate	8½	One month	5.13	Two year	7.51
Broker loan rate	6½	Two month	5.60	Three year	7.70
Fed.funds	5¾	Three month	5.97	Five year	7.82
Fed.funds at intervention	-	Six month	6.53	10-year	7.85
		One year	7.01	30-year	7.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.40	110.56	+0.30	110.66	110.26	84,963	136,575
Jun	109.56	109.72	+0.28	109.60	109.48	565	4,712
Sep	108.92	109.06	+0.26	108.92	108.92	2	1,552

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	1.83	-	0.02	0.30	1.30
110	0.60	1.15	1.40	0.08	0.61	1.73
111	0.10	0.61	-	0.50	1.06	-
112	-	0.27	0.64	-	1.73	-
113	-	0.10	-	-	-	-

Est. vol. total, Calls 25,024 Puts 29,458 . Previous day's open int., Calls 192,770 Puts 176,238.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.39	89.50	0.18	89.56	89.26	104373	196785
Jun	88.80	88.91	0.17	88.92	88.74	811	5372
Sep			0			0	0

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8950	0	0.58	0.54	0.85	0	0.58	1.13	1.44
9000	0	0.36	0.37	0.66	0.50	0.86	1.46	1.75
9050	0	0.22	0.25	0.51	1.00	1.22	1.84	2.10

Est. vol. total, Calls 11433 Puts 10937 Previous day's open int., Calls 205963 Puts 139570

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.30	99.90	-0.15	100.34	99.71	34407	52084
Jun	98.95	98.95	-0.15	98.35	98.95	3	279

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	1.22	1.95	0.82	2.50
10000	0.96	1.73	1.06	2.78
10050	0.73	1.53	1.33	3.08

Est. vol. total, Calls 2233 Puts 4391. Previous day's open int., Calls 22091 Puts 22563

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.23	83.16	+0.08	83.32	82.78	56,922	52,562
Jun	-	83.62	-	-	-	-	150

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-21	100-21	+0-02	100-25	100-14	38390	89265
Jun		100-27	+0-02			0	574

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-20	2-28	0-42	1-38
101	0-49	1-58	1-07	2-04
102	0-25	1-28	1-47	2-38

Est. vol. total, Calls 973 Puts 2352. Previous day's open int., Calls 39488 Puts 47375

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.40	80.54	+0.14	80.60	80.34	2,401	7,294
Jun	-	80.28	+0.14	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-08	99-04	-0-03	99-09	99-00	235,636	369,707
Jun	99-25	98-20	-0-04	98-25	98-18	4,166	18,907
Sep	99-11	98-11	-	98-11	98-11	1,287	1,722

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.15			108.25	108.14	2635	0
Jun	107.43			107.46	107.43	54	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 24	Day's change %	Mon Jan 23	Accrued interest	xd adj. ytd		Low coupon yield Jan 24	Jan 23	Yr. ago	Medium coupon yield Jan 24	Jan 23	Yr. ago	High coupon yield Jan 24	Jan 23	Yr. ago
1 Up to 5 years (24)	118.27	-0.01	118.27	1.31	1.40	5 yrs	8.72	8.70	5.64	8.73	8.72	5.87	8.92	8.92	
2 5-15 years (22)	138.74	----	138.74	2.17	0.81	15 yrs	8.62	8.61	6.34	8.74	8.73	6.43	8.95	8.95	
3 Over 15 years (9)	152.96	-0.03	153.00	0.90	2.83	20 yrs	8.59	8.57	6.44	8.74	8.73	6.47	8.88	8.88	
4 Irredeemables (6)	174.98	-0.56	175.96	2.20	0.00	Irred.†	8.68	8.61	6.53						
5 All stocks (61)	135.40	-0.01	135.41	1.69	1.33										

Index-linked							Inflation 5% Jan 24	Jan 23	Yr. ago	Inflation 10% Jan 24	Jan 23	Yr. ago
6 Up to 5 years (2)	188.39	+0.01	188.38	1.59	0.00	Up to 5 yrs	4.08	4.07	2.23	2.76	2.73	1.34
7 Over 5 years (11)	172.49	-0.04	172.57	0.50	0.59	Over 5 yrs	3.95	3.94	2.91	3.75	3.74	2.73
8 All stocks (13)	173.23	-0.04	173.30	0.60	0.53							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 24	Jan 23	Jan 20	Jan 19	Jan 18	Yr ago	High*	Low*
Govt. Secs. (UK)	90.55	90.57	90.83	90.80	90.91	106.95	107.04	89.54
Fixed Interest	109.01	109.20	109.29	109.30	109.35	133.66	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17
Gilt Edged bargains	88.5	79.9	80.2	87.3	89.5
5-day average	84.5	85.3	85.4	86.1	84.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 24

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88	88¼		8.57
Alberta Province 7⅞ 98	1000	99⅛	99⅜		8.21
Austria 8½ 00	400	101¼	101½		8.19
Bank Ned Gemeenten 7 99	1000	95⅞	96⅛		8.10
Bank of Tokyo 8⅞ 96	100	100⅜	100¾		7.89
Belgium 5½ 03	1000	82⅜	82⅝		8.41
BFCE 7¼ 97	150	99½	100	-⅛	8.00
British Gas 0 21	1500	10⅞	11¼	-⅛	8.64
Canada 9 96	1000	101⅜	101⅝		7.81
Cheung Kong Fin 5½ 98	500	87⅞	88⅜	-⅛	9.54
China 6½ 04	1000	82⅞	83⅜	-⅛	9.56
Council Europe 8 96	100	100¼	100½		7.86
Credit Foncier 9½ 99	300	104⅛	104½	-¼	8.26
Denmark 5¾ 98	1000	93⅞	94⅛		8.06
East Japan Railway 6⅝ 04	600	88⅝	88⅞	-⅛	8.45
ECSC 8¼ 96	193	100½	101		7.93
EEC 8¼ 96	100	100⅜	100⅝	-⅛	7.80
EIB 7¾ 96	250	100	100¼	-⅛	7.70
EIB 9¼ 97	1000	102⅞	103¼	-⅛	8.04
[illegible]					
United Kingdom 7¼ 97	5500	100¾	100⅞	-⅛	6.80
Volkswagen Intl Fin 7 03	1000	93⅞	94⅜	-¼	8.08
World Bank 0 15	2000	21⅝	22⅜	-⅛	7.60
World Bank 5⅞ 03	3000	88⅛	88¼	-⅛	7.78
World Bank 8¾ 00	1250	110⅞	111⅛	+⅞	6.24
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	101¾	102	+¼	5.83
Austria 4½ 00	1000	96¾	97		5.25
Council Europe 4¾ 98	250	99½	100	-½	4.93
Denmark 4¼ 99	1000	96¾	97	-⅛	5.04
EIB 6¾ 04	300	106¾	107¼	-¼	5.82
Elec de France 7¼ 06	100	110	110½		5.96
Finland 7¼ 99	300	107	107½		5.51
Hyundai Motor Fin 8½ 97	100	106½	107½		5.74
Iceland 7⅝ 00	100	107¼	107¾		6.03
Kobe 6⅜ 01	240	104	104¼	+½	5.62
Ontario 6¼ 03	400	101¾	102¾	-¼	5.97
Quebec Hydro 5 08	100	86½	88		6.69
SNCF 7 04	450	109⅛	109¾		5.74
[illegible]					
Abbey Natl Treasury 6 03 £	1000	91⅝	91⅞		8.51
Alliance Leics 11¾ 97 £	100	104⅞	105¼		8.88
British Land 8⅞ 23 £	150	88¼	88¾	-⅛	10.39
Denmark 6⅜ 98 £	800	93¼	93½		9.01
EIB 6 03 £	1000	93⅛	93⅜	-¼	9.20
Halifax 10⅜ 97 £	100	103	103⅜		8.73
Hanson 10⅜ 97 £	500	102⅞	103⅛		9.11
HSBC Holdings 11.69 02 £	153	108½	108⅞	-⅛	10.00
Italy 10½ 14 £	400	105¼	105⅝		9.87
Japan Dev Bk 7 00 £	200	91¼	91⅝		9.04
Land Secs 9½ 07 £	200	98⅛	98⅝	+¼	9.76
Ontario 11⅛ 01 £	100	107¼	107⅝	-⅛	9.49
Powergen 8⅞ 03 £	250	98¾	98⅝		9.52
Severn Trent 11½ 99 £	150	107½	107⅞	-⅛	9.33
Tokyo Elec Power 11 01 £	150	107½	107¾	-⅛	9.36
Abbey National 0 96 NZ$	100	85¼	86		9.86
TCNZ Fin 9¼ 02 NZ$	75	99¼	100¼	-⅛	9.36
Credit Local 6 01 FFr	7000	88⅝	88¾	+⅛	8.24
Elec de France 8¾ 22 FFr	3000	99⅝	100	+⅛	8.76
SNCF 9¼ 97 FFr	4000	103⅛	103⅜		7.51
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.02	5.90	99⅜	+$\frac{1}{16}$	103¾	97¼
10¼pc 1995		10.07	6.67	101¾	----	107$\frac{13}{32}$	101⅜
Treas 12¾pc 1995‡‡		12.19	6.84	104$\frac{9}{16}$	-$\frac{1}{16}$	113⅝	104$\frac{9}{16}$
14pc 1996		13.14	7.09	106$\frac{9}{16}$	-$\frac{1}{16}$	117$\frac{7}{16}$	106$\frac{9}{16}$
15¼pc 1996‡‡		13.94	7.40	109⅜	-$\frac{1}{16}$	121$\frac{13}{32}$	109⅜
[illegible]							
Conversion 9½pc 2004		9.11	8.84	104¼	----	125$\frac{1}{16}$	101$\frac{13}{32}$
Treas 6¾pc 2004‡‡		7.75	8.74	87$\frac{1}{16}$	+$\frac{1}{16}$	105⅛	84$\frac{25}{32}$
8½pc 2005		8.64	8.72	98⅜	-$\frac{1}{16}$	100$\frac{13}{32}$	97
Conv 9½pc 2005		9.09	8.81	104$\frac{9}{16}$	----	125½	102⅛
Treas 12½pc 2003-5		10.38	9.08	120$\frac{13}{32}$	-$\frac{1}{16}$	143$\frac{7}{16}$	118⅛
[illegible]							
Index-Linked	(b)						
2pc '96	(67.9)	2.48	4.11	202$\frac{7}{16}$	----	203⅝	197$\frac{13}{32}$
4⅝pc '98‡‡	(135.6)	3.05	3.86	109$\frac{13}{32}$	----	113$\frac{1}{16}$	106$\frac{1}{16}$
2½pc '01	(78.3)	3.51	3.98	165⅞	+$\frac{1}{16}$	176⅞	163½
2½pc '03	(78.8)	3.59	3.95	161¾	+$\frac{1}{16}$	173⅝	158$\frac{1}{16}$
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1994: 144.7 and for December 1994: 146.0.

Other Fixed Interest

[illegible]

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

Price pressures in CBI survey help sterling

Sterling finished firmer yesterday after the CBI's industrial trends survey bolstered expectations of a near term rise in UK interest rates, *writes Philip Gawith.*

The survey showed upward pressure on prices, unit wage costs and plant capacity. Although sterling lost ground in afternoon trading, it finished in London at DM2.4146, nearly a pfennig up on Monday's close of DM2.4068. Against the dollar it was little changed at $1.5963, from $1.5945.

The dollar had a fairly quiet day, finishing at DM1.5127 from DM1.5095. Against the yen it closed at Y99.675 from Y99.725.

The D-Mark's performance was mixed. It was unchanged against the French franc at FFr3.462, but made gains against the Swiss franc and peseta, while losing ground against the lira.

The Mexican peso slipped further after a disappointing weekly auction of Tesobonos. At midday in Mexico, the peso was down 11 centavos against the dollar, to 5.8/5.85 in 24 hour and 48 hour contracts. It had earlier finished in London at 5.765 pesos, from 5.715, in same day trading.

The New Zealand dollar continued its upward progress to touch a fresh six year high. It closed in London at $0.646, from $0.6433. It is been on a steady upward path since bottoming around $0.51 at the beginning of 1993.

Moving in the opposite direction is the Canadian dollar, which has weakened over the last three years from around C$1.10 against the dollar. Yesterday it closed at C$1.4178, slightly firmer than on Monday, but well below the C$1.40 level where it ended last year.

■ Sterling was briefly above $1.60, and DM2.42, before closing lower. Analysts said that until recently, international investors had focused on political risk, ignoring the favourable economic fundamentals, including strong growth, improving external balances and rising interest rates.

But with the dollar again in reverse, and many European countries facing domestic political woes, sterling was looking a more attractive option.

The market also approves of the upward trajectory in interest rates. Some analysts said that the CBI survey finding, that on balance 33 per cent of firms intend to raise prices, compared to 20 per cent in the previous survey, made a move in February more likely.

Others argued that the authorities would probably *want to see a full month of* data subsequent to the December rise in rates, before making their next move.

Short sterling barely moved on the news – the March contract finished at 92.84, from *92.85 – indicating that the* expectation of higher rates was already in the market.

The Bank of England cleared a £700m market shortage at established rates in its daily money market operations. Three month LIBOR was unchanged at 6 11/16 per cent.

■ Dollar watchers had little to chew on, but President Clinton's state of the union address, delivered overnight, is likely to give the market some direction today.

The appearances, today and tomorrow, of Mr Alan Greenspan, chairman of the Federal Reserve, before congressional committees will also be closely watched. The Fed chairman is likely to sidestep detailed monetary comment, while expressing a willingness to tighten policy in a timely fashion.

■ The central banks of both Spain and Portugal were rumoured to be supporting their currencies.

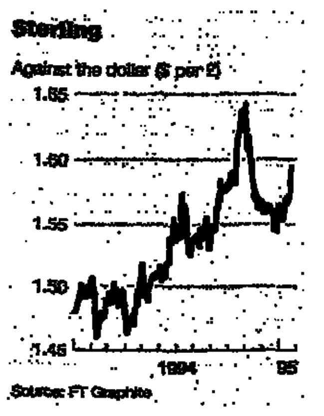
The escudo finished at Es103.3, from Es103.4. Traders said, however, that the bank had bought escudos to stop it sliding to the psychological barrier of Es103.5 against the D-Mark. The catalyst for selling pressure was the announcement on Monday by Mr Aníbal Cavaco Silva, the prime minister, that he would not be seeking re-election this year.

Mr Michael Burke, international economist at Citibank in London, said the authorities faced the problem of an economy struggling to emerge from recession, but were constrained in their ability to increase spending or lower interest rates.

Spain embarked on a form of verbal intervention to support the peseta. Mr Manuel Conthe, treasury director general, said the peseta's correct level against the D-Mark was much closer to Pta82 than to Pta85. Yesterday it finished at Pta87.24.

Sterling

Against the dollar ($ per £)



Source: FT Graphite

■ **Pound in New York**

Jan 24	Latest	Prev. close
£ spot	1.5962	1.5945
1 mth	1.5957	1.5940
3 mth	1.5949	1.5933
1 yr	1.5912	1.5896

■ **OTHER CURRENCIES**

Jan 24	£	$
Hungary	178.449 - 178.664	111.810 - 111.910
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4768 - 0.4772	0.2988 - 0.2989
Poland	3.8451 - 3.8489	2.4092 - 2.4108
Russia	6316.50 - 6321.30	3957.00 - 3960.00
U.A.E.	5.8615 - 5.8641	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9642	+0.0306	575 - 708	17.0384	16.9174	16.9518	0.9	16.918	1.1	-	-	116.5
Belgium	(BFr)	49.7871	+0.1583	713 - 028	49.9260	49.7590	49.5788	1.2	49.4938	1.1	48.9688	1.3	118.0
Denmark	(DKr)	9.5201	+0.0248	162 - 239	9.5452	9.5154	9.4973	-0.3	9.4975	-0.1	9.4728	0.2	117.5
Finland	(FM)	7.4908	+0.0174	841 - 976	7.5170	7.4720	-	-	-	-	-	-	89.7
France	(FFr)	8.3580	+0.0243	551 - 609	8.3832	8.3532	8.3289	0.7	8.3184	0.7	8.2539	1.0	110.4
Germany	(DM)	2.4146	+0.0078	136 - 155	2.4223	2.4127	2.404	1.4	2.396	1.5	2.3625	1.8	128.0
Greece	(Dr)	375.837	+0.811	698 - 976	376.913	375.698	-	-	-	-	-	-	-
Ireland	(I£)	1.0111	+0.0005	104 - 117	1.0128	1.0094	1.0103	0.4	1.01	0.2	1.0086	0.2	105.7
Italy	(L)	2531.05	+4.53	006 - 205	2537.20	2526.24	2532.02	-2.6	2541.52	-2.4	2585.87	-2.3	73.4
Luxembourg	(LFr)	49.7871	+0.1583	713 - 028	49.9260	49.7590	49.5788	1.2	49.4938	1.1	48.9688	1.3	118.0
Netherlands	(Fl)	2.7078	+0.0088	068 - 088	2.7152	2.6984	2.6983	1.2	2.69	1.3	2.6525	1.7	122.0
Norway	(NKr)	10.5616	+0.0283	575 - 656	10.5875	10.5319	10.5327	0.1	10.5317	0.1	10.5217	0.1	87.1
Portugal	(Es)	249.494	+0.592	295 - 693	250.256	249.295	249.502	-2.9	251.152	-3.6	-	-	-
Spain	(Pta)	210.849	+0.876	576 - 722	211.228	210.461	210.183	-2.3	211.018	-2.4	214.958	-2.5	82.9
Sweden	(SKr)	11.8794	+0.0225	715 - 872	11.9303	11.8381	11.8754	-1.9	11.9104	-1.8	12.0269	-1.4	74.5
Switzerland	(SFr)	2.0291	+0.011	284 - 298	2.0341	2.0247	2.0139	2.5	2.0059	2.4	1.9603	2.9	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.2
Ecu	-	1.2765	+0.0044	758 - 772	1.2796	1.2756	1.2718	0.3	1.271	0.4	1.2647	0.6	-
SDR†	-	0.926818	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5966	+0.0017	962 - 970	1.6017	1.5940	-	-	-	-	-	-	-
Brazil	(Cr)	1.3600	+0.0023	582 - 618	1.3705	1.3561	-	-	-	-	-	-	-
Canada	(C$)	2.2631	-0.0018	623 - 638	2.2685	2.2588	2.2687	-2.0	2.2765	-2.0	2.2957	-1.4	83.2
Mexico	(New Peso)	9.2024	+0.0898	610 - 437	9.2437	9.1286	-	-	-	-	-	-	-
USA	($)	1.5963	+0.0018	960 - 965	1.6015	1.5935	1.594	0.4	1.5933	0.3	1.5893	0.3	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0710	-0.0067	700 - 720	2.0771	2.07000	2.0813	-2.1	2.0878	-1.9	2.1233	-2.2	-
Hong Kong	(HK$)	12.3442	+0.0112	414 - 469	12.3836	12.3281	12.3491	-1.6	12.3633	-1.0	12.2583	0.6	-
India	(Rs)	50.0824	+0.0589	705 - 942	50.2430	49.9960	-	-	-	-	-	-	-
Israel	(Shk)	4.7864	+0.0054	816 - 911	4.7967	4.7816	-	-	-	-	-	-	-
Japan	(Y)	159.106	+0.094	041 - 171	159.380	158.690	158.442	4.3	157.357	4.2	151.102	5.0	186.5
Malaysia	(M$)	4.0892	+0.0129	877 - 906	4.0987	4.0759	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4712	-0.0078	698 - 725	2.4779	2.4698	2.4845	-2.8	2.4949	-2.6	2.5292	-2.0	-
Philippines	(Peso)	39.5551	+0.1709	691 - 411	39.6411	39.4691	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9868	+0.0066	855 - 880	6.0064	5.9767	-	-	-	-	-	-	-
Singapore	(S$)	2.3165	+0.0049	153 - 178	2.3239	2.3102	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6400	+0.0086	379 - 420	5.6566	5.6322	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6005	-0.0568	835 - 175	6.6468	6.5835	-	-	-	-	-	-	-
South Korea	(Won)	1259.68	-3.72	940 - 996	1263.74	1258.70	-	-	-	-	-	-	-
Taiwan	(T$)	41.9411	+0.0021	317 - 504	42.0762	41.9007	-	-	-	-	-	-	-
Thailand	(Bt)	40.0340	+0.0439	117 - 562	40.1500	39.9490	-	-	-	-	-	-	-

†SDR rates for Jan 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6275	+0.0075	250 - 300	10.6620	10.6250	10.62	0.8	10.6002	1.0	10.4675	1.5	105.4
Belgium	(BFr)	31.1900	+0.065	850 - 950	31.2400	31.1420	31.1675	0.9	31.12	0.9	30.86	1.1	106.8
Denmark	(DKr)	5.9640	+0.009	625 - 655	5.9750	5.9551	5.9636	0.1	5.9625	0.1	5.961	0.1	105.7
Finland	(FM)	4.6928	+0.0057	893 - 963	4.7032	4.6802	4.691	0.4	4.6888	0.3	4.6903	0.3	83.4
France	(FFr)	5.2360	+0.0085	350 - 370	5.2453	5.2250	5.234	0.5	5.2298	0.5	5.2005	0.7	108.8
Germany	(DM)	1.5127	+0.0032	123 - 130	1.5157	1.5098	1.5112	1.2	1.5079	1.3	1.489	1.6	108.6
Greece	(Dr)	235.450	+0.25	400 - 500	236.080	235.200	238.45	-15.3	243.2	-13.2	255.6	-8.6	68.5
Ireland	(I£)	1.5789	+0.0011	781 - 796	1.5838	1.5775	1.5791	-0.1	1.5787	0.1	1.5779	0.1	-
Italy	(L)	1585.63	+1.11	525 - 600	1587.25	1583.00	1589.38	-2.8	1595.93	-2.6	1627.63	-2.6	73.4
Luxembourg	(LFr)	31.1900	+0.065	850 - 950	31.2400	31.1420	31.1675	0.9	31.12	0.9	30.86	1.1	106.8
Netherlands	(Fl)	1.6964	+0.0037	960 - 967	1.6995	1.6930	1.695	1.0	1.6916	1.1	1.6718	1.4	106.7
Norway	(NKr)	6.6165	+0.0105	150 - 180	6.6276	6.6008	6.6143	0.4	6.6095	0.4	6.5615	0.8	97.3
Portugal	(Es)	156.300	+0.2	200 - 400	156.700	156.150	156.925	-4.8	158.025	-4.4	162.725	-4.1	95.6
Spain	(Pta)	131.965	+0.405	940 - 990	132.170	131.700	132.25	-2.6	132.82	-2.6	135.615	-2.8	78.3
Sweden	(SKr)	7.4421	+0.0059	383 - 458	7.4783	7.4240	7.4558	-2.2	7.4796	-2.0	7.5721	-1.7	80.0
Switzerland	(SFr)	1.2712	+0.0055	709 - 714	1.2728	1.2673	1.2689	2.2	1.2642	2.2	1.2347	2.9	108.4
UK	(£)	1.5963	+0.0018	960 - 965	1.6015	1.5935	1.5958	0.4	1.5951	0.3	1.5911	0.3	88.1
Ecu	-	1.2505	-0.003	500 - 510	1.2527	1.2489	1.2507	-0.1	1.251	-0.1	1.2543	-0.3	-
SDR†	-	1.47008	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 003	1.0003	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8520	+0.0005	510 - 530	0.8580	0.8510	-	-	-	-	-	-	-
Canada	(C$)	1.4178	-0.0027	175 - 180	1.4190	1.4156	1.4204	-2.2	1.4251	-2.1	1.4405	-1.6	79.7
Mexico	(New Peso)	5.7650	+0.05	400 - 900	5.7900	5.7400	5.7658	-0.2	5.7662	-0.1	5.7676	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2974	-0.0055	970 - 979	1.3019	1.2970	1.2995	-2.0	1.3042	-2.1	1.3297	-2.5	90.0
Hong Kong	(HK$)	7.7332	-0.0015	327 - 337	7.7365	7.7327	7.7344	-0.2	7.7354	-0.1	7.7402	-0.1	-
India	(Rs)	31.3750	+0.0025	725 - 775	31.3775	31.3725	31.455	-3.1	31.7	-4.1	-	-	-
Israel	(Shk)	2.9985	+0.0001	960 - 010	3.0012	2.9959	-	-	-	-	-	-	-
Japan	(Y)	99.6750	-0.05	500 - 000	99.8700	99.2200	99.335	4.1	98.705	3.9	94.96	4.7	148.5
Malaysia	(M$)	2.5617	+0.0052	612 - 622	2.5625	2.5585	2.5597	0.9	2.5552	1.0	2.5392	0.9	-
New Zealand	(NZ$)	1.5480	-0.0065	475 - 487	1.5529	1.5472	1.5515	-2.7	1.5575	-2.5	1.5825	-2.2	-
Philippines	(Peso)	24.7800	+0.08	300 - 300	24.8300	24.7300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7531	-0.8	3.7564	-0.6	3.768	-0.5	-
Singapore	(S$)	1.4512	+0.0015	507 - 517	1.4530	1.4495	1.4463	4.1	1.4409	2.8	1.4175	2.3	-
S Africa (Com.)	(R)	3.5333	+0.0015	325 - 340	3.5355	3.5318	3.5483	-5.1	3.5793	-5.2	3.7353	-5.7	-
S Africa (Fin.)	(R)	4.1350	-0.04	250 - 450	4.1650	4.1250	4.1625	-8.0	4.2125	-7.5	4.445	-7.5	-
South Korea	(Won)	789.150	-3.2	100 - 200	792.300	789.100	792.15	-4.6	795.65	-3.3	814.15	-3.2	-
Taiwan	(T$)	26.2748	-0.0275	730 - 765	26.3045	26.2730	26.2948	-0.9	26.3348	-0.9	-	-	-
Thailand	(Bt)	25.0800	-	700 - 900	25.0900	25.0700	25.0925	-0.6	25.1065	-0.4	25.1325	-0.2	-

†SDR rate for Jan 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 21. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 24	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4 7/8	5 1/4	6 1/16	5 5/8	6 5/8	7.40	4.50	-
week ago	4 7/8	5 1/4	5 1/2	5 13/16	6 1/4	7.40	4.50	-
France	5 1/4	6 1/8	5 7/8	6 1/8	6 11/16	5.00	-	6.40
week ago	5 3/8	5 3/4	5 5/8	6 1/4	6 5/8	5.00	-	6.40
Germany	4.80	4.95	5.05	5.30	5.75	6.00	4.50	4.85
week ago	4.83	4.95	5.10	5.30	5.80	6.00	4.50	4.85
Ireland	5 1/4	5 7/8	6 1/4	6 5/8	7 3/8	-	-	6.25
week ago	5 1/4	5 7/8	6 1/4	6 5/8	7 1/4	-	-	6.25
Italy	8 5/8	8 7/8	8 7/8	9 3/8	10 1/8	-	7.50	8.20
week ago	8 1/4	8 5/8	9 1/8	9 5/8	10 1/16	-	7.50	8.20
Netherlands	4.84	5.05	5.15	5.37	5.89	-	5.25	-
week ago	4.84	5.05	5.18	5.39	5.90	-	5.25	-
Switzerland	3 7/8	3 7/8	4 1/8	4 5/8	4 11/16	6.625	3.50	-
week ago	3 1/4	3 7/8	4 1/4	4 5/8	4 11/16	6.625	3.50	-
US	5 1/4	5 5/8	6 1/4	6 5/8	7 1/8	-	4.75	-
week ago	5 3/8	5 5/8	6 1/8	6 1/2	7 1/16	-	4.75	-
Japan	2 1/8	2 1/4	2 1/4	2 1/8	2 1/4	-	1.75	-
week ago	2 1/8	2 1/4	2 1/4	2 1/8	2 1/4	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6 1/2	6 7/8	7 1/4	-	-	-
week ago	-	6	6 1/2	6 7/8	7 1/4	-	-	-
US Dollar CDs	-	5.81	6.16	6.55	7.28	-	-	-
week ago	-	5.81	6.00	6.38	7.05	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 7/8; 3 mths: 6 1/8; 6 mths: 6 1/2; 1 year: 7. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4 7/8	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 3/16 - 6 1/16
Danish Krone	5 1/4 - 5	5 3/4 - 5 1/2	5 7/8 - 5 5/8	6 1/4 - 6	6 3/4 - 6 1/2	7 7/16 - 7 3/16
D-Mark	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16
Dutch Guilder	5 - 4 13/16	5 - 4 13/16	5 1/8 - 5 1/16	5 3/16 - 5 1/16	5 5/8 - 5 1/2	5 13/16 - 5 11/16
French Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 1/2 - 5 3/8	5 13/16 - 5 11/16	6 3/16 - 6 1/16	6 3/4 - 6 5/8
Portuguese Esc.	8 5/8 - 8 7/16	9 - 8 7/8	9 3/4 - 9 1/2	10 3/4 - 10 5/8	11 1/4 - 11	11 7/8 - 11 1/2
Spanish Peseta	7 15/16 - 7 13/16	8 3/16 - 8 1/16	8 7/16 - 8 1/4	9 1/16 - 8 15/16	9 5/8 - 9 3/8	10 5/8 - 10 3/8
Sterling	6 3/8 - 6 1/4	6 - 5 7/8	6 5/8 - 6 1/2	6 29/32 - 6 25/32	7 1/8 - 7	7 13/16 - 7 11/16
Swiss Franc	3 5/8 - 3 1/2	3 13/16 - 3 11/16	3 13/16 - 3 11/16	4 1/16 - 3 15/16	4 5/16 - 4 3/16	4 11/16 - 4 9/16
Can. Dollar	7 3/16 - 7	7 3/16 - 7	7 7/8 - 7 3/4	8 3/16 - 8 1/16	8 9/16 - 8 7/16	9 - 8 7/8
US Dollar	5 1/2 - 5 3/8	5 5/8 - 5 1/2	6 - 5 7/8	6 5/16 - 6 3/16	6 3/4 - 6 5/8	7 5/16 - 7 3/16
Italian Lira	9 - 7 1/2	8 1/2 - 8 3/8	8 5/8 - 8 1/2	8 15/16 - 8 13/16	9 7/16 - 9 5/16	10 5/16 - 10 3/16
Yen	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 3/16 - 2 1/16	2 5/16 - 2 1/4	2 3/8 - 2 1/4	2 5/8 - 2 1/2
Asian $Sing	3 7/8 - 3 5/8	4 3/8 - 4 1/4	3 5/8 - 3 1/2	4 3/16 - 4 1/16	4 5/16 - 4 3/16	4 3/4 - 4 5/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.83	93.89	+0.09	93.89	93.82	13,373	45,514
Jun	93.33	93.39	+0.06	93.40	93.33	9,631	45,526
Sep	92.99	93.03	+0.07	93.04	92.97	4,610	33,858
Dec	92.68	92.70	+0.04	92.71	92.65	2,655	19,969

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.22	-			0	1402
Jun		92.56	+0.01			0	535
Sep		92.11	-			0	177
Dec		91.77	+0.01			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.73	94.74	+0.02	94.74	94.71	23980	199077
Jun	94.29	94.31	+0.03	94.32	94.27	32579	158281
Sep	93.87	93.90	+0.04	93.91	93.84	15960	82696
Dec	93.44	93.48	+0.04	93.48	93.41	8446	69449

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.50	90.56	+0.11	90.60	90.46	10563	37583
Jun	90.03	89.95	+0.07	90.03	89.87	3628	23757
Sep	89.60	89.55	+0.05	89.60	89.48	1657	26903
Dec	89.31	89.29	+0.04	89.32	89.24	1169	15798

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.69	95.77	+0.08	95.77	95.67	6259	20350
Jun	95.33	95.38	+0.05	95.39	95.31	1667	10582
Sep	95.03	95.08	+0.03	95.09	95.02	454	5965
Dec	94.79	94.84	+0.05	94.82	94.79	134	4062

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.46	93.46	+0.04	93.49	93.43	1998	9165
Jun	92.94	92.98	+0.04	92.98	92.93	1318	6341
Sep	92.53	92.54	+0.02	92.55	92.51	216	3019
Dec	92.14	92.16	+0.03	92.17	92.12	144	1776

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.12	16.79	4.849	2.031	5084	5.438	21.21	501.0	423.1	23.84	4.076	2.009	4.546	3.206	319.6	2.563
Denmark	(DKr)	52.29	10	8.779	2.536	1.062	2659	2.843	11.09	262.0	221.2	12.47	2.131	1.050	2.377	1.676	167.1	1.340
France	(FFr)	59.56	11.39	10	2.888	1.210	3028	3.239	12.63	298.4	252.0	14.20	2.428	1.196	2.708	1.910	190.4	1.527
Germany	(DM)	20.62	3.944	3.462	1	0.419	1048	1.121	4.374	103.3	87.24	4.917	0.841	0.414	0.937	0.661	65.91	0.529
Ireland	(I£)	49.24	9.416	8.267	2.388	1	2503	2.678	10.45	246.7	208.3	11.74	2.007	0.989	2.238	1.579	157.4	1.262
Italy	(L)	1.967	0.376	0.330	0.095	0.040	100.	0.107	0.417	9.854	8.321	0.469	0.080	0.040	0.089	0.063	6.286	0.050
Netherlands	(Fl)	18.39	3.517	3.088	0.892	0.373	935.0	1	3.901	92.13	77.80	4.385	0.750	0.369	0.836	0.590	58.77	0.471
Norway	(NKr)	47.14	9.015	7.915	2.286	0.957	2397	2.563	10	236.2	199.4	11.24	1.921	0.947	2.143	1.511	150.7	1.208
Portugal	(Es)	19.96	3.817	3.351	0.968	0.405	1015	1.085	4.234	100.	84.44	4.759	0.814	0.401	0.907	0.640	63.79	0.512
Spain	(Pta)	23.64	4.520	3.969	1.146	0.480	1202	1.285	5.014	118.4	100.	5.636	0.963	0.475	1.075	0.758	75.55	0.606
Sweden	(SKr)	41.94	8.020	7.041	2.034	0.852	2132	2.281	8.896	210.1	177.4	10	1.709	0.842	1.906	1.345	134.0	1.075
Switzerland	(SFr)	24.53	4.692	4.119	1.190	0.498	1247	1.334	5.205	122.9	103.8	5.850	1	0.493	1.115	0.787	78.41	0.629
UK	(£)	49.78	9.520	8.358	2.414	1.011	2531	2.707	10.56	249.4	210.6	11.87	2.029	1	2.263	1.596	159.1	1.276
Canada	(C$)	22.00	4.207	3.693	1.067	0.447	1118	1.196	4.666	110.2	93.06	5.245	0.897	0.442	1	0.705	70.30	0.564
US	($)	31.19	5.965	5.237	1.513	0.633	1586	1.696	6.617	156.3	132.0	7.437	1.271	0.627	1.418	1	99.69	0.799
Japan	(Y)	31.29	5.984	5.253	1.517	0.635	1591	1.701	6.637	156.8	132.4	7.461	1.275	0.629	1.422	1.003	100.	0.802
Ecu		39.01	7.461	6.550	1.892	0.792	1984	2.121	8.276	195.5	165.0	9.303	1.590	0.784	1.774	1.251	124.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6612	0.6622	-0.0003	0.6634	0.6608	28,700	80,835
Jun	0.6552	0.6652	-	0.6660	0.6646	327	2,487
Sep	-	0.6680	-	-	-	10	165

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7904	0.7888	-0.0020	0.7914	0.7880	15,695	39,682
Jun	0.7959	0.7942	-0.0013	0.7962	0.7942	121	1,375
Sep	-	0.8000	-	-	0.8000	11	67

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0083	1.0107	+0.0019	1.0135	1.0065	27,586	75,123
Jun	1.0225	1.0232	+0.0022	1.0256	1.0224	447	6,037
Sep	-	1.0365	-	1.0380	-	47	501

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5938	1.5962	+0.0030	1.6012	1.5930	20,971	45,531
Jun	1.5950	1.5970	+0.0034	1.6010	1.5960	37	1,316
Sep	-	1.5980	-	1.6010	-	2	6

UK INTEREST RATES

LONDON MONEY RATES

Jan 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 5/8 - 4	6 1/4 - 6	6 3/8 - 6 1/4	6 3/4 - 6 5/8	7 1/8 - 7	7 13/16 - 7 11/16
Sterling CDs	-	-	6 5/16 - 6 3/16	6 11/16 - 6 9/16	7 1/16 - 7	7 7/8 - 7 3/4
Treasury Bills	-	-	6 1/16 - 6	6 1/4 - 6 1/8	-	-
Bank Bills	-	-	6 5/16 - 6 1/4	6 5/8 - 6 7/16	7 - 6 7/8	-
Local authority deps.	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 1/4 - 6 1/8	6 5/8 - 6 1/2	7 1/16 - 6 15/16	7 7/8 - 7 3/4
Discount Market deps	6 1/4 - 4 1/4	6 3/16 - 6	-	-	-	-

UK clearing bank base lending rate 6 1/4 per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2 1/2	5 1/4	5 1/2	5 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount 5.8761pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6 1/2pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.85	92.84	-0.01	92.85	92.82	12615	90957
Jun	92.11	92.09	-0.01	92.11	92.05	13176	74314
Sep	91.58	91.57	-0.01	91.58	91.54	3463	58799
Dec	91.26	91.26	-0.01	91.27	91.24	2794	47475

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.21	0.09	0.06	0.12	0.75	1.26
9300	0.08	0.05	0.05	0.24	0.96	1.48
9325	0.02	0.02	0.03	0.43	1.18	1.71

Est. vol. total, Calls 3833 Puts 5498. Previous day's open int., Calls 119232 Puts 114844

EMS EUROPEAN CURRENCY UNIT RATES

Jan 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13158	+0.00134	-2.97	10.84	-
Belgium	40.2123	39.1929	+0.0338	-2.54	10.35	18
Germany	1.94964	1.90066	+0.00118	-2.51	10.32	-
Austria	13.7167	13.3720	+0.0082	-2.51	10.32	-
Ireland	0.808628	0.794934	-0.00327	-1.69	9.40	11
France	6.53883	6.57985	+0.00379	0.62	6.88	-5
Denmark	7.43679	7.49570	+0.00328	0.79	6.70	-5
Portugal	192.854	196.569	+0.287	1.92	5.52	-13
Spain	154.250	165.894	+0.475	7.55	0.00	-53
NON ERM MEMBERS						
Greece	264.513	296.028	+0.158	11.91	-3.90	-
Italy	1793.19	1991.95	+2.03	11.08	-3.18	-
UK	0.786749	0.786339	-0.004519	-0.05	7.60	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	9.66	9.62	9.68	-	-	0.16
1.525	7.23	7.29	7.52	-	0.09	0.42
1.550	4.79	5.07	5.62	0.02	0.35	0.88
1.575	2.58	3.16	3.79	0.30	0.92	1.62
1.600	1.00	1.74	2.47	1.16	1.94	2.66
1.625	0.25	0.83	1.49	2.86	3.46	4.15

Previous day's vol., Calls 6,149 Puts 7,974 . Prev. day's open int., Calls 229,188 Puts 275,524

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.25	93.21	-0.02	93.25	93.20	65,222	417,158
Jun	92.59	92.55	-0.03	92.59	92.54	111,404	387,723
Sep	92.14	92.10	-0.03	92.14	92.08	44,183	281,817

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.86	93.87	-	93.87	93.85	1,300	12,212
Jun	93.20	93.16	-0.04	93.20	93.17	1,099	7,635
Sep	-	92.74	-	-	92.73	101	3,125

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9450	0.26	0.28	0.09	0.15	0.02	0.04	0.28	0.34
9475	0.08	0.10	0.04	0.07	0.07	0.11	0.48	0.51
9500	0.01	0.02	0.02	0.03	0.27	0.28	0.71	0.72

Est. vol. total, Calls 2031 Puts 19022. Previous day's open int., Calls 151747 Puts 197090

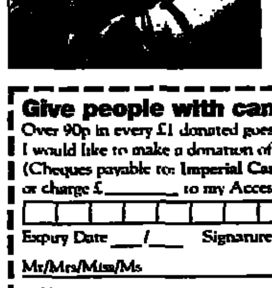
■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.11	0.06	0.07	0.09	0.45	0.74
9600	0.02	0.03	0.03	0.25	0.65	0.95
9625	0	0.01		0.48	0.88	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2015

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25	● Members of London Investment Banking Association	
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25	* In administration	
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		



LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		97	—	117	88¼	12.1	10.3	–
9¾pc Non-Cum Pf		116¾	–½	137½	107	48.7	10.4	–
Cater Allen	♣†N□	440	–1	*538¾	440	143.4	8.0	9.1
Close Bros	♣N	220	—	*285½	203	280.4	4.3	9.9
Gerrard & Nat	♣†N□	475	–1	605	385	231.3	6.3	13.7
Hambros	♣N□	242	–1	473	209	427.1	7.7	14.9
7½pc Cv Pf		111	—	191	99½	143.8	8.4	–
Joseph (L)	♣†N	393	—	443	393	28.8	5.6	11.4
King & Shaxson	♣N	98	–1	178	98	17.1	11.5	9.7
Kleinwort Benson	♣†N□	588	+15	693	424	784.4	4.1	10.4
Rea Bros	♣†N□	69	—	79	53	27.4	1.8	18.5
Schroders	♣†N□	1358	–2	1574	1050	1,393	1.7	12.8
N/V	†N	1250	–5	1458	1043	362.5	1.8	11.4
Singer & Fried	♣†N□	85	—	114	75	155.1	4.6	10.9
Union	♣†N□	89	—	*198	87	23.7	6.3	8.2
Warburg (SG)	♣N□	748	+12	1012	589	1,645	3.7	13.7
Wintrust	♣N	215	—	390	203	18.3	6.0	14.4

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

Net asset values supplied by Nat West Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

For MERCHANT BANKS see BANKS, MERCHANT

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

For PLANTATIONS stocks see section FOOD PRODUCERS

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
TVX Gold	♥	397½p	-16¼	480½p	338½p	629.5	–	
Toronto-Dom		893d	-⅛	11⅛	893	2,828	4.5	
Trans Can Pipe	♥	7⅜	—	10⅛	7⅜	1,340	5.0	

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31	—	£34	£13½	2,022	2.4	22.7
Barlow	♣	£9⅜	—	£9¾	£3⅞	979.1	2.0	17.8
Gold Flds Prop R		138xa	—	192	75	14.2	7.7	Φ
NK Props		87½	—	98	85	3.52	13.8	–
SASOL	♥	440	—	682	380	2,536	3.1	–
SA Brews	†	£13¾	—	£16⅞	£10	3,705	2.2	21.0
Tiger Oats		780	—	838	538	1,128	2.0	17.8
Tongaat-Hulett	†a	701	—	*725	356¼	638.9	2.0	20.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xk ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Lazard Frères Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

[illegible]

Lazard Fund Mngrs - Contd.

Lloyds Bank Fund Managers (Guernsey) Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

Merrill Lynch Guernsey

[illegible]

Rothschild Asset Mangmt (CI) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

[illegible]

Singer & Friedlander Inv Funds Ltd - Contd.

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Baring International Fd Mgrs (Ireland) Ltd

[illegible]

Yellow Sea Investment Company PLC

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

Citibank S.A.

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Commercial Union Luxembourg SA - Contd.

[illegible]

Midland Intl Circuit Fund - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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Credis Investment Funds - Contd.

Nikko Bank - Contd.

CMI Insurance Co Ltd - Contd.

Abtrust Fund Mngrs (Guernsey) Ltd

Emerging Markets Management

Jardine Fleming Unit Trusts Ltd - Contd.

Panther Capital Advisors

State Street Banque SA

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Drugs sector active again as blue chips recover

By Terry Byland,
UK Stock Market Editor

A better performance from Far Eastern securities markets overnight helped London to stage a modest recovery yesterday, but nervousness over interest rates kept confidence subdued. The latest survey of industrial trends by the Confederation of British Industry, suggesting that domestic and export prices are about to rise, had little effect in a market still focused around corporate developments.

The pharmaceuticals sector continued to dominate the market at first, as fund managers grappled with the implications of Glaxo's £9.25bn bid for Wellcome.

There was also heavy trade in Prudential, with shares in Britain's biggest life insurer falling sharply, as the market reacted badly to the unexpected departure of a widely admired chief executive who is credited with the premium rating of Prudential's shares.

The FT-SE 100-share Index opened 18 points higher and, after moving through a narrow range, closed the session with a net rise of 14.8 at 2,969. The index was gaining ground gently towards the close, although Wall Street was showing little change when London went home for the day. The FT-SE Mid 250 Index gained 11.3 at 3,395.6.

The second half of the session saw volume suddenly improve as a trading programme by a London securities house crossed the dealing screens. Individual share volumes were also swollen as the last of the delayed portfolio deals carried out last week by Goldman Sachs were reported on the market's electronic network.

These large deals inflated the day's Seaq-reported volume to 734.7m shares, significantly above the level in Monday's hectic session. Retail, or genuine customer, business in equities was worth £1.5bn on Monday, a high but by no means dramatic figure.

There was little indication of any change of heart in the stock market yesterday. The CBI report, which trimmed early gains in government bonds because of its inflationary implications, had minimal effect in a stock market where the Footsie had already turned back from the day's best of 2,973.4.

London continued to share Wall Street's caution ahead of the announcement on Friday of the US GDP figures for the final quarter of last year. Most analysts expect to see growth of at least 4.4 per cent against the comparable period, with an upward move in interest rates on January 31 by the Federal Reserve almost inevitable.

The UK market has its own reasons for nervousness on domestic interest rates ahead of the next meeting of the UK chancellor of the exchequer and the governor of the Bank of England at the beginning of next month. The warning on prices from the CBI report is likely to increase the worries over inflation, which have already been fuelled by last week's confirmation of robust UK GDP growth.

There are, however, still many bulls of the UK stock market. Mr Ian Harnett of Strauss Turnbull, putting his faith in "strong growth and low inflation", backed up by higher corporate earnings and dividends, as well as increased bid activity, sees a strong case for London this year.

While tensions appeared to relax in the pharmaceuticals sector yesterday, and Zeneca gave back much of the speculative gain which greeted the Glaxo move, the equity market remained positive towards the overall implications of the reshaping in the industry.

The potential injection of around £6bn cash could alone provide the fuel for several of the bid plans believed to be hovering in the wings. With the merchant banking and financial sectors also on the alert, as prospects of bids for S.G. Warburg and its Mercury Asset Management arm grow stronger, the market may be poised for a speculative spree.

Key indicators

Indices and ratios

FT-SE 100	2969.0	+14.8	FT Ordinary index	2251.3	+13.0
FT-SE Mid 250	3395.6	+11.3	FT-SE-A Non Fins p/e	17.43	(17.37)
FT-SE-A 350	1489.2	+6.8	FT-SE 100 Fut Mar	2972.0	+24.0
FT-SE-A All-Share	1475.48	+6.25	10 yr Gilt yield	8.80	(8.81)
FT-SE-A All-Share yield	4.14	(4.15)	Long gilt/equity yld ratio:	2.14	(2.14)

Best performing sectors

1 Banks, Retail ... +1.7
2 Telecommunications ... +1.6
3 Media ... +1.4
4 Transport ... +1.2
5 Insurance ... +1.1

Worst performing sectors

1 Life Assurance ... -2.7
2 Gas Distribution ... -1.1
3 Pharmaceuticals ... -0.6
4 Chemicals ... -0.5
5 Water ... -0.4

Delayed deals in Vodafone

A series of exceptionally heavy trades, signalled as having been delayed for five days, the maximum allowed by the Stock Exchange, drove turnover in Vodafone up to an extremely heavy 46m shares, the second-heaviest single day's business on record.

Talk circulating in the market suggested that four big trades, three blocks of 9m shares and another of 4.1m all transacted at 189¼p, took place last week and represented the single sale of a near 1 per cent stake in Vodafone.

The stock was said to have come from one UK institution dismayed by a recent series of profits downgrades. There were also, however, suggestions that the seller was from the US.

One leading dealer in Vodafone said the 31.1m shares had been sold last week around the 189½p level, a discount of almost 8 per cent to the then share price of 205p.

There had been suggestions in the market that much of the recent heavy activity in Vodafone shares was linked to the recent big Goldman Sachs programme trade. This was discounted by specialists, who pointed out yesterday that the marketmaker that bought the block had been making aggressive attempts to place it in recent sessions. The shares dropped below the 189½p level on Monday.

Prudential slides

The market signalled its deep concern at the resignation, late on Monday, of Mr Mick Newmarch, chief executive of Prudential, the UK's biggest life assurance group, with the shares sliding 14 to 295p, their lowest level since October last year. The stock price was said by analysts to have penetrated a significant chart point on the way down.

Turnover of 19m was the highest recorded since last January, when one of the big UK fund management groups sold a 2.5 per cent stake in the company.

Some marketmakers said the sell-off had been overdone and that a bounce was expected. "The Pru remains the biggest and the best regarded of the big insurers," said one dealer.

Analysts, however, were more cautious about the reasoning behind the resignation. One top researcher said Mr Newmarch was highly regarded by the City and was seen as the architect of the Pru's progressive dividend policy. "He cared very much for shareholders as well as policyholders; he was the torchbearer for the dividend increases," one said.

He added that there must now be some element of doubt whether the dividend policy will be carried on by Mr Newmarch's successor. He also pointed out that Prudential shares had traded at a premium to their embedded, or net asset, value of around 250p, while other insurers, such as Legal & General, traded at around a 25 per cent discount to their embedded value.

Shell strong

A number of leading broking houses were behind the strong performance of Shell Transport. The shares raced up 11 to 707p on relatively heavy turnover of 5m.

Hoare Govett, Smith New Court and Nomura led the chorus of buyers for the stock, citing better than expected quarterly figures from US oil groups Exxon, Texaco, Amoco and Mobil and the prospect of excellent fourth-quarter figures from Shell in the middle of February.

Shell Oil, the Shell Transport subsidiary, is scheduled to report fourth-quarter numbers tomorrow.

Hoare Govett said the market still understated the value of Shell Transport's financial strength and pointed to the probability of better than expected dividend and earnings growth.

Pharmaceuticals issues gave a significant boost to overall trading volume yesterday as the fall-out from Glaxo's bid for Wellcome stayed centre stage.

A decline in Wellcome of 6 to 955p represented little more than a settling of the dust following its dramatic rise on Monday. But turnover of 20m shares suggested furious position taking, revolving around arbitrage deals between the two stocks. Glaxo rebounded 9 to 608p with volume rising to 17m shares by the close of dealing. Several analysts were giving approval, some of them grudgingly, to the deal and its potential benefits.

Mr Peter Laing of Salomon Brothers commented: "The bid . . . is expensive but does appear to offer Glaxo scope to achieve cost savings from rationalisation, at the current price the yield is attractive."

Meanwhile, Zeneca lost all of Monday's bid premium, tumbling 30 to 886p as the company gave a trading statement which contained no surprises.

Bid speculation continued to drive TSB shares, which settled 8½ higher at 232p on 11m traded. S.G. Warburg put on 12 more at 748p, as did Mercury Asset Management to 769p.

British Gas lost 3½ at 300p after a lunch at Smith New Court attended by Ms Claire Spottiswood, the gas industry regulator, and seven of the UK's leading fund management groups, including Mercury Asset Management, Postel, Fidelity and Gartmore. Smith labelled Gas as "fairly valued" but warned of a tougher regulatory regime in the near term.

British Aerospace continued to respond to hopes for improved turbo prop trading, advancing 7½ to 459½p. Robert Fleming Securities added its weight to the recovery arguments, recommending the shares as a buy with or without a link-up with Franco-Italian joint venture ATR.

The potential for reduced losses in its energy division underpinned Babcock International, which hardened to 28½p on persistent rumours of Chinese power station orders.

News and electronic information group Reuters jumped 15½ to 423½p with 10m shares traded as investors responded to the recent weakness. Lehman Brothers argues that the shares are 20 per cent cheaper than – the other sector heavyweights – and yet it expects Reuters to report 22 per cent earnings growth in three weeks. Pearson gained 6 at 570p and Reed a penny at 736p.

Supermarket group Argyll rose 3 to 277½p, with the cash generative nature of the group attracting more takeover talk. Analysts said a suitor would need at least £4bn and added that a sum of that size restricts the field to one of the large foreign rivals or a company such as Hanson, a half-penny firmer at 233p.

Also, Hoare Govett reiterated its positive stance in a piece of research focusing on cash flows in the sector.

Stores group Burton edged ahead to 69p as NatWest Securities turned positive in its quarterly review of the sector ahead of the company's annual statement tomorrow.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 24	Jan 23	Jan 20	Jan 19	Jan 18	Yr ago	*High	*Low
Ordinary Share	2251.3	2238.3	2280.9	2309.9	2338.1	2646.2	2713.6	2238.3
Ord. div. yield	4.64	4.66	4.57	4.52	4.47	3.52	4.66	3.43
Earn. yld. % full	6.80	6.84	6.71	6.63	6.56	3.98	6.84	3.82
P/E ratio net	17.00	16.91	17.24	17.44	17.54	31.70	33.43	16.91
P/E ratio nil	16.47	16.37	16.69	16.89	17.09	29.38	30.80	16.37

*For 1994/5. Ordinary Share index since compilation: High 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2252.9	2251.6	2252.8	2255.4	2251.7	2252.3	2252.9	2253.2	2250.5	2256.0	2249.0

	Jan 24	Jan 23	Jan 20	Jan 19	Jan 18	Yr ago
SEAQ bargains	23,192	23,573	18,864	18,416	20,014	38,411
Equity turnover (£m)†	-	1514.3	1449.2	1413.4	1808.0	2004.9
Equity bargains†	-	31,858	28,844	27,505	27,828	43,294
Shares traded (ml)†	-	631.9	553.5	610.3	742.5	857.9

†Excluding intra-market business and overseas turnover.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2973.0	2972.0	+24.0	2979.0	2961.0	10126	56705
Jun		2982.0	+24.0			6	5556
Sep	3005.0	3006.0	+24.0	3005.0	3006.0	16	20

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3360.0	+10.0			0	3944

■ FT-SE 100 INDEX OPTION (LIFFE) (*2950) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	[illegible]		-	-	-	-
-	F.P.	1.93	7	5½	Cala. Media Wrts	[illegible]		-	-	-	-
-	F.P.	84.8	173	133	Clydeport	[illegible]					
$10	F.P.	34.2	625	570	First Russian Fr	[illegible]		-	-	-	-
500	F.P.	45.3	512	490	Gartmore Mic Uts	[illegible]		-	-	-	-
-	F.P.	28.0	104	94	Hill Hire	[illegible]					
100	F.P.	27.0	103	100	Kiln Capital	[illegible]					
-	F.P.	26.9	55	51¼	Lazard Birla India	51¼	-¾	-	-	-	-
-	F.P.	3.16	32½	29¾	Do Warrants	30½		-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
§3	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	41.0	94	81	Matheson Lloyds	82		-	-	-	-
-	F.P.	20.0	130	100	Pentex Oil	100	-5	-	-	-	-
182	F.P.	1,480.1	188	167	TeleWest	174½	+½	-	-	-	-
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Jan 23	% chg on day	Jan 20	Jan 19	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	1807.97	-1.6	1837.82	1843.95	2265.36	2.12	2337.98	1762.92
■ Regional Indices								
Africa (16)	2794.06	-0.1	2796.00	2765.82	2861.68	4.92	3711.87	2304.45
Australasia (7)	2210.66	-2.3	2263.83	2255.75	2865.43	0.77	2965.56	2129.35
North America (11)	1457.82	-2.4	1492.96	1512.57	1899.65	0.77	1924.91	1368.34

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Jan 24: 206.8 ; day's change: -2.0 Year ago: 228.1 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 24	Day's chge%	Jan 23	Jan 20	Jan 19	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2969.0	+0.5	2954.2	2995.0	3028.6	3444.0	4.35	7.49	15.79	3.28	1134.76
FT-SE Mid 250	3395.6	+0.3	3384.3	3424.6	3449.3	4091.1	3.73	6.44	18.53	6.72	1281.84
FT-SE Mid 250 ex Inv Trusts	3412.5	+0.3	3403.0	3438.7	3460.4	4105.2	3.87	6.94	17.31	7.04	1286.51
FT-SE-A 350	1489.2	+0.5	1482.4	1502.2	1517.7	1742.8	4.20	7.24	16.35	1.95	1165.01
FT-SE-A 350 Higher Yield	1515.5	+0.4	1509.6	1535.8	1550.9	1751.6	5.25	7.73	15.46	2.74	974.73
FT-SE-A 350 Lower Yield	1462.7	+0.5	1454.9	1468.5	1484.3	1690.3	3.14	6.75	17.38	1.17	984.93
FT-SE SmallCap	1714.23	——	1714.10	1729.64	1737.75	2025.69	3.38	6.42	19.59	1.99	1341.42
FT-SE SmallCap ex Inv Trusts	1698.46	-0.1	1700.21	1710.66	1718.35	1992.07	3.57	7.17	17.76	2.12	1333.70
FT-SE-A ALL-SHARE	1475.48	+0.4	1469.23	1488.38	1503.00	1727.99	4.14	7.18	16.57	1.91	1173.60

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

DAEJAN HOLDINGS P.L.C.

INTERIM STATEMENT

Results for the half year ended 30 September 1994– unaudited.

	6 months to 30.9.94 £'000	6 months to 30.9.93 £'000
Net Rental Income	9,938	8,362
Surplus on Sale of Trading Properties	4,496	4,093
Other Income	(20)	(32)
	14,414	12,423
Administration & Other Expenses	(2,229)	(2,353)
Operating Profit from Continuing Operations	12,185	10,070
Surplus on Sale of Investment Properties	766	482
Net Interest Payable	(1,833)	(2,160)
Profit on Ordinary Activities before Taxation	11,118	8,392
Less: Taxation	(3,600)	(2,700)
Minority Interests	(13)	(13)
Profit attributable to shareholders	£7,505	£5,679
Earnings Per Share	46.0p	34.9p

The results for the half year ended 30 September 1993 and 30 September 1994 have been prepared under FRS3.

An Interim Dividend of 12p per share (1994 - 12p) will be paid on 16 March 1995 to shareholders registered on 16 February 1995. This dividend will absorb £1,955,000 (1994 – £1,955,000).

The level of residential unit sales experienced in the first half year is unlikely to be sustained during the remainder of the period and, therefore, profits on ordinary activities before taxation for the full year are anticipated to be of a similar order to the previous year's level.

The financial information included in this document does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year to 31 March 1994, on which the auditors have given an unqualified opinion, have been filed with the Registrar of Companies. The interim financial information is unaudited.

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an offer or invitation to any person to subscribe for or purchase any of the New Ordinary Shares.

Application has been made to the London Stock Exchange for all of the Ordinary Shares and Preference Shares of Symonds Engineering P.L.C. to be admitted to the Official List. It is expected that dealings in the Existing Ordinary Shares and Preference Shares will recommence, and dealings in the New Ordinary Shares will commence on 20th February, 1995.

SYMONDS ENGINEERING P.L.C.

(Incorporated in England with Registered No 445250)

Acquisition of Classical Circuits Limited

Placing of 6,150,933 New Ordinary Shares
and Open Offer to Eligible Shareholders of 2,182,400 New Ordinary Shares at 30p per share

fully underwritten by

Singer & Friedlander Limited

Share capital immediately following the implementation of the above proposals

Authorised £	Number		Issued and fully paid £	Number
1,418,000.00	28,360,000	Ordinary Shares of 5p each	1,053,933.30	21,078,666
50,000.00	50,000	5½% Preference Shares of £1 each	50,000.00	50,000

Listing particulars are available for collection during normal office hours, today and on 26th January, 1995 from the Company Announcements Office, The London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2 or on any weekday (Saturdays and public holidays excepted) up to and including 16th February, 1995 from:

Symonds Engineering P.L.C.	Singer & Friedlander Limited	Peel, Hunt
High Street	21 New Street	& Company Limited
Cheshunt	Bishopsgate	62 Threadneedle Street
Hertfordshire	London	London
EN8 0BU	EC2M 4HR	EC2R 8HP

25th January, 1995

WORLD STOCK MARKETS

INDICES

	Jan 24	Jan 23	Jan 20	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	14736.81	15155.78	25470.40	16/2/94	13938.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1862.0	1851.6	1878.4	2340.60	3/2/94	1842.69	12/12/94
All Mining(1/1/80)	882.3	885.0	896.5	1138.70	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	366.21	366.09	369.03	460.66	2/2/94	366.09	23/1/95
Traded Index(2/1/91)	981.49	978.98	985.24	1222.25	1/2/94	978.98	23/1/95
Belgium							
BEL20 (1/1/91)	1351.36	1347.36	1359.64	1542.65	9/2/94	1338.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	37595.0	38623.0	58118.00	13/9/94	3809.90	3/1/94
Canada							
Metals Mins♦(1975)	(u)	4167.91	4194.46	4526.97	19/1/95	3299.06	20/4/94
Composite♦ (1975)	(u)	4049.40	4096.80	4809.90	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	(u)	1967.87	1995.37	2182.89	1/2/94	1868.49	28/6/94
Chile							
IPSA Gen (31/12/80)	(u)	5382.3	5406.1	5754.40	21/11/94	3901.29	4/4/94
Denmark							
CopenhagenSE(3/1/83)	340.03	342.48	347.80	415.79	2/2/94	335.86	20/12/94
Finland							
HEX General(28/12/90)	1831.1	1822.6	1862.4	1972.89	4/2/94	1801.10	3/1/94
France							
SBF 250 (31/12/90)	1180.78	1178.82	1202.37	1586.20	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1780.17	1772.84	1813.33	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	758.90	762.04	771.25	859.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2157.4	2168.0	2194.5	2485.50	2/5/94	2118.30	5/10/94
DAX (30/12/87)‡	2018.04	2035.83	2055.58	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	826.57	829.42	828.15	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7022.90	6967.93	7278.10	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3411.04	3463.93	3600.53	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	435.46	436.16	446.08	612.89	5/1/94	435.46	24/1/95
Ireland							
ISEQ Overall(4/1/88)	1830.99	1813.59	1841.91	2082.16	20/1/94	1684.14	1/7/94
Italy							
Banca Comm Ital (1972)	673.46	679.28	671.43	817.17	10/5/94	591.64	13/12/94
MIB General (2/1/95)	1054.0	1074.0	1061.0	1074.00	23/1/95	978.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18060.73	17785.49	18840.22	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	258.57	254.80	267.89	311.71	13/6/94	254.80	23/1/95
Topix (4/1/68)	1410.30	1390.68	1459.40	1712.73	13/6/94	1390.68	23/1/95
2nd Section (4/1/68)	1924.22	1912.59	1993.20	2542.85	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	940.87	950.10	985.13	1314.46	5/1/94	940.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	2068.49	2065.85	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	438.2	434.7	438.3	464.90	31/1/94	406.38	21/6/94
CBS All Shr (End 83)	274.9	272.7	275.0	294.99	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1923.08	1947.61	1957.44	2439.84	3/2/94	1878.08	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1102.10	1094.90	1109.41	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2374.85	2421.43	2482.85	3308.37	4/1/94	2374.85	24/1/95
Portugal							
BTA (1977)	2708.2	2763.9	2804.0	3228.80	18/2/94	2612.28	20/6/94
Singapore							
SES All-S'pore(2/4/75)	475.74	472.80	485.08	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1725.9♥	1767.6	1772.4	2534.00	7/9/94	1725.90	24/1/95
JSE Ind. (28/9/78)	6468.5♥	6449.5	6583.7	6884.49	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	916.83	935.38	973.06	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	277.80	275.85	280.96	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldGen (1/2/37)	1514.30	1497.50	1517.8	1803.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1209.75	1204.08	1226.29	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	896.86	893.28	909.36	1063.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6167.79	6295.04	6372.01	7181.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1193.35	1191.26	1251.72	1753.73	4/1/94	1191.26	23/1/95
Turkey							
Istanbul Crnp.(Jan 1986)	24847.5	24644.3	25519.6	28145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	599.7*	596.2	607.9	649.90	2/11/94	591.66	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1289.33	1291.62	1313.82	1540.18	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)	1151.14	1145.61	1160.75	1311.01	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	261.46	272.15	365.19	5/1/94	261.46	24/1/95
Barings Emerg.(7/1/92)	(u)	138.84	140.79	191.79	26/9/94	137.81	11/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Jan	1795.0	1787.0	+10.0	1799.0	1782.0	24,401	22,905
Feb	1802.5	1795.5	+10.0	1807.0	1791.0	2,454	6,029
DAX							
Mar	2045.0	2044.5	+25.0	2048.0	2031.0	13,845	N/A
Jun	2061.5	2064.5	+24.0	2066.5	2051.0	430	N/A
OMX							
Jan	1153.00	1162.00	+18.0	1162.00	1151.25	10,741	14,178
Feb	1154.00	1165.00	+15.0	1168.00	1154.00	6,852	7,300
SOFFEX							
Feb	2540.0	2539.4	+10.4	2545.0	2526.0	4,817	15,177
Mar	-	2550.0	-	-	-	1	411

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	467.75	468.20	+0.20	468.35	467.30	84,004	201,349
Jun	471.50	472.20	+0.05	472.40	471.50	649	10,545
Nikkei 225							
Mar	17890.0	18160.0	+210.0	18210.0	17780.0	65,301	122,561
Jun	17960.0	18180.0	+220.0	18220.0	17880.0	1,691	6,205

Open interest figures for previous day.

– Sat Jan 21: Taiwan Weighted Price 6431.90; Korea Comp Ex 955.11. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 24 – 2027.67 +14.64

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 23	Jan 20	Jan 19	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3867.41	3869.43	3882.21	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.38	94.83	94.83	105.81 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1528.15	1522.10	1544.46	1862.29 (2/2/94)	1371.69 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.18	188.18	186.53	227.06 (3/1/94)	173.94 (22/11/94)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3886.56 (3898.70) Low 3815.25 (3826.70) (Theoretical♦)
Day's high 3871.11 (3896.01) Low 3838.46 (3842.85) (Actual♦)

Standard and Poors	Jan 23	Jan 20	Jan 19	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	465.81	464.78	466.95	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.68	552.29	555.10	583.19 (28/10/94)	510.05 (21/4/94)	583.19 (28/10/94)	3.62 (21/6/32)
Financial	42.58	42.33	42.59	46.64 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	253.47	253.38	254.36	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	436.91	437.64	439.53	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	759.51	762.05	768.55	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Jan 20	Jan 13	Jan 6	Year ago
Dow Jones Ind. Div. Yield	2.77	2.73	2.76	2.58
	Jan 18	Jan 11	Jan 4	Year ago
S & P Ind. Div. yield	2.40	2.44	2.45	2.35
S & P Ind. P/E ratio	19.06	18.76	18.71	28.07

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Wellcome	9,039,900	15¼	+4½
Ford Motor	8,120,800	26¼	–⅛
Telefonos	6,574,000	35⅝	+¾
Dr Pepper	5,798,400	35⅝	+1⅞
IBM	4,905,100	74¼	–1⅞
RJR Nabisco	4,793,300	5⅝	+⅛
Nabisco Hld	3,577,000	27¼	+⅛
EMC Corp	3,481,200	19⅝	–⅝
Chrysler	3,452,700	47¼	+⅛
Citicorp	3,428,200	40	1⅛

TRADING ACTIVITY

● Volume (million)	Jan 23	Jan 20	Jan 19
New York SE	325.612	375.338	297.757
Amex	15.671	13.927	17.035
NASDAQ	253.572	319.205	304.533
NYSE			
Issues Traded	2,908	2,941	2,950
Rises	830	741	732
Falls	1,391	1,464	1,414
Unchanged	687	736	804
New Highs	18	25	37
New Lows	79	51	37

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO – MOST ACTIVE STOCKS: Tuesday, January 24, 1995

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	14.2m	599	+99
Nippon Steel	6.7m	333	+1
Daisue Const	6.5m	594	+88
Okumura Corp	6.4m	895	+81
Mitsubishi Hvy	5.6m	661	+20
Obayashi Corp	5.5m	730	+30
Sumitomo Mtl	5.2m	295	+4
Sumitomo Osaka	5.1m	519	+41
Fudo Construction	4.9m	932	+100
Toshiba Corp	4.9m	625	+20

4 pm close January 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	11⅞	AAR	0.48	3.4	25	285	14	13¾	14	+⅛
21⅞	12⅝	A L Labs A	0.18	0.9	46	308	20¾	20¼	20¼	-⅛
79⅜	57⅝	AMP	1.68	2.3	22	1258	71⅞	71¼	71¾	+⅜
72¾	48⅛	AMR			25	4896	58¼	57½	57⅝	-⅜
56⅛	38⅝	ASA	2.00	4.4	29	220	45	44¾	45	+⅞
33⅞	25⅜	AbbotL	0.76	2.3	17	8445	33⅜	32⅞	33	+⅛
15¼	11⅛	Abitibi Pr	0.50	3.7	12	169	13⅝	13½	13⅝	+⅛
23⅞	17¾	ABM Ind	0.60	2.6	14	133	23¼	22⅞	23¼	+⅜
18	11⅛	Acptnesin			12	123	16½	16¼	16¼	
31	20¾	ACE Ltd	0.44	1.9	24	668	23⅜	22⅛	23¼	+⅞
12½	9	ACM Gvt In	1.09	11.7	9	498	9⅜	9⅛	9⅜	+⅛
10⅛	6⅞	ACM GvOpp	0.80	11.0		19	7⅜	7¼	7¼	-⅛
10⅝	6¾	ACM Gvt Sp	0.96	13.2		129	7⅜	7⅛	7¼	+⅛
12	7⅝	ACM Gvt Se	1.09	13.1		423	8⅜	8¼	8⅜	
11¾	7⅞	ACM Man	1.08	13.1		321	8⅜	8⅛	8¼	
9¼	7¼	ACM Mangd	0.72	9.6		76	7½	7⅜	7½	
15½	8¾	AcmeClv	0.44	2.9	30	1567	15¼	14⅛	15⅛	+1⅛
19⅞	6½	Acme Elect			18	305	18	17⅜	17⅜	+⅞
32½	23	Acordia	0.60	1.9	16	27	32⅛	32	32	-⅛
13¾	5¾	Actava	0.36	4.1	2	111	8¾	8⅝	8¾	
18⅜	11¼	Acuson			25	192	15⅝	15½	15½	
18⅜	15½	Adams Expr	0.36	2.3	0	39	16	15⅞	15⅞	
64½	46½	Ad Micro	3.00	4.8		168	62⅝	61⅝	62⅝	+⅝
32¼	16¾	AdvMic	3.00	9.6	9	4324	31¼	30⅝	31¼	+½
6⅞	5	Advest Grp	0.16	3.0	26	31	5⅜	5¼	5¼	
20	15	Advo Inc	0.10	0.6	15	62	18	17¾	18	+¼
66⅛	49⅜	Aegon ADR	1.47	2.3	12	68	64½	64	64	-½
5	3⅜	Aeriflx			7	64	4	3⅞	4	+¼
65¾	42¼	AetnaL	2.78	5.7	6	1577	48⅞	48¼	48¼	-½
36⅛	25¼	Aflac	0.46	1.4	12	606	33¾	32¾	33¼	+¼

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4 pm close January 24

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
17⅞	10⅞	SFeGd			25	3805	11¾	11½	11¾	
35⅛	30⅛	SFePPipe	2.80	8.1	8	612	34⅞	34⅝	34¼	
26¼	12⅛	SanFeP	0.10	0.6	17	32386	18⅛	17⅞	18	
26½	19⅝	SaraLee	0.68	2.8	53	5447	24¾	24¼	24½	
50⅛	41	Scana Corp	2.82	6.4	12	2320	43¾	43½	43¾	+¼
20½	12½	Scecrp	1.00	6.5	10	7953	15½	15⅜	15⅜	
45½	31¾	SchererRP			28	905	43⅞	42⅞	43	+⅛
75⅞	54½	SchrPl	2.04	2.7	15	3975	75¼	74⅛	74⅝	+⅝
63	50	Schlmb	1.20	2.3	25	3213	53½	52⅝	52⅝	-⅜
38⅝	23¾	Schwab(C)	0.36	0.9	16	1962	38	36¾	38	+1
10¾	6⅛	Schwitzer			7	69	8⅝	8¼	8⅜	-⅛
22¾	12½	SciAtl	0.06	0.3	35	1479	19⅛	18⅝	18¾	+⅜
16¼	13	Scotsman	0.10	0.6	13	41	17¼	17⅛	17¼	+⅛
74½	37¼	ScottP	0.80	1.1	21	1705	71	70⅛	70⅜	-½
31	23	Scripps	0.44	1.6	12	238	27½	26⅞	27⅜	+¼
28⅝	15⅞	ScudderNewF x	0.02	0.1		156	16⅜	16	16⅜	+¼
12⅝	8¼	ScudderNEuF	0.16	1.8		272	9	8⅞	9	+⅛
18¼	12	SeaCntB	0.70	5.0	8	5	14	14	14	
16½	14¼	SeaC1.4625	1.46	9.6		8	15¼	15¼	15¼	
28	22⅞	S'gate			7	1485	25½	25	25⅛	+⅝
32⅝	28¼	Seagrm	0.60	2.0	14	1409	30⅛	29⅞	30	+¼
29¾	17⅛	Seagull En			30	471	17⅞	17½	17⅞	+⅜
40½	26⅝	Sealed Air			21	504	u40½	40	40¼	+¼
55⅛	42⅛	SearsR	1.60	3.5	13	9634	45⅝	44⅞	45⅛	-⅛
13¾	9¾	Selgm Sel	0.84	7.1		91	11¾	11⅝	11¾	
39¼	26	Sensormat	0.22	0.7	25	3870	32⅛	30¾	31¼	+⅛
39¾	17⅝	SequaA	0.60	2.7	8	33	23⅛	22½	22⅝	-⅜
40¼	21	SequaB	0.50	2.1	12	50	23¾	23	23¾	
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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close January 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close January 24

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

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AMERICA

Rates outlook leaves Dow uncertain

Wall Street

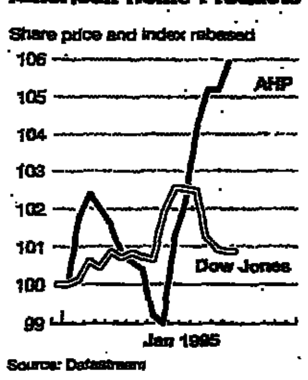
Uncertainty held sway in US equities, both the blue chip and broader indices hovering around Monday's close for most of the morning, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was up 3.03 at 3,870.44. The more broadly based Standard & Poor's 500 gained 0.71 at 466.53 and the American Stock Exchange composite rose 0.06 to 436.97. The Nasdaq composite put on 2.95 at 762.46. NYSE volume was 187m shares.

The Dow never broke out of a 14-point band on either side of Monday's close. Many investors were anxious about a potential interest rate increase at next week's meeting of the Federal Reserve's Open Market Committee.

American Home Products

Share price and index rebased



Source: Datastream

Consensus on Wall Street held that the Fed will raise rates by 50 basis points at the meeting, but there was some speculation that the economic crisis in Mexico could deter the central bank.

Another, and sometimes countervailing, influence on the market was a new wave of earnings reports. American Home Products, the drugs and healthcare products company, surpassed its previous 12-month high on the back of its latest progress report, rising to $67⅞ in morning trading before easing to $66⅞, up $⅞ at midday.

Other pharmaceuticals companies reporting earnings yesterday were mixed as some came in better and others worse than analyst's expectations. Warner Lambert, unchanged at $75¼, and Johnson & Johnson, down $¼ at $55⅞, both exceeded earnings forecasts, while Merk, up $⅛ at $38⅛, posted results below outside targets.

Shares in Chevron edged up $⅜ to $46⅛ after the oil company beat analysts' estimates of earnings per share. Dean Witter Discover, the financial services group, and Nynex, the telecommunications company, also provided positive surprises to analysts and rose $1⅛ to $35⅜ and $⅜ to $37⅞ respectively.

Dr Pepper/Seven-Up Companies shares, down $¼ at $30⅝, gave back some of Monday's gains after speculation that the US soft drinks company might be acquired by Cadbury-Schweppes, of the UK.

NYSE-traded American Depositary Receipts of Mexican companies were mixed yesterday morning amid continued uncertainty about whether the US Congress would approve a loan guarantee program for Mexico. Bufete Industrial, which reported a large foreign currency loss for 1994 as a result of the devaluation of the peso, lost $¼ at $15⅞.

Canada

Most of Toronto's sectors posted gains in light trading at midday as the TSE 300 composite index rose 12.57 to 4,061.93 in volume of 15.74m shares valued at C$240.7m.

Advances outpaced declines by 217 to 170, with 247 issues unchanged. The financial services sector climbed 29.54 to 2,988.36, with Bank of Montreal up C$1 to C$31. Alcan Aluminium dipped C$⅛ to C$35⅞ after the British Columbia provincial government's decision to cancel its C$1.3bn Kemano power project.

Mexico pares gains

Mexican stocks pared early gains after news that rates at the day's primary auction of government Tesobono securities had soared to record highs and that demand fell short of the $400m on offer.

The IPC index of 37 leading shares remained 36.55 or 1.8 per cent higher at 2,105.04 shortly before midday, having earlier climbed to 2,134.86 in a round of bargain hunting.

SAO PAULO was 2.1 per cent ahead in light midday trade as some investors bought selectively after recent sharp declines in stock prices.

The Bovespa index was up 782 at 38,367 at 1300 local time, but turnover was low at R$98.3m ($115.2m) as the market continued to wait for news of President Bill Clinton's proposed $40bn aid package for Mexico.

Blue chips led the midday rally. Telebras preferred rose 2.9 per cent to R$31.30 and Petrobras preferred by 3.8 per cent to R$99.30.

BUENOS AIRES improved 2.2 per cent in early trading in response to progress in the aid negotiations between Mexico and the US, although volume remained thin.

The blue chip Merval index moved ahead 9.31 during the morning to 432.39.

S African golds in retreat

Declines in Johannesburg gold shares accelerated in afternoon trade to leave the sector sharply down after bullion fell from highs, dealers said. Industrials managed to overcome a midday slip to finish up on the day in response to the recovery in Japan, and after steep losses locally on Monday.

Investors were seen steering clear of the gold share market until clear upward gold price momentum was established.

Traders said volumes had been mostly limited in line with a lack of buying interest.

The overall index receded 23.6 to 5,314.2, industrials rose 19 to 6,468.5 after Monday's 114-point fall, and golds gave up 61.7 to 1,725.9.

De Beers was finally R1.35 lower at R88.50 and Anglos retreated R2 to R202.

EUROPE

Strong combination boosts Thyssen share price

Technical considerations and consolidation following Monday's losses left most bourses a little better yesterday, *writes Our Markets Staff.*

FRANKFURT staged a recovery, mostly after hours, following a DB Research downgrade of its Dax index forecast to around 2,500 in 12 months' time, against earlier hopes of 2,600 to 2,800 in 1995.

Turnover contracted from DM6.5bn to DM5.5bn.

Yesterday's Dax rose 14.64 to an Ibis-indicated 2,027.67 by the end of the post bourse, with broadly based gains among senior blue chips. Deutsche Bank itself ended DM8.10 higher at DM698, but this was seen as a technical recovery following weakness on interest rate sensitivity, and renewed troubles on the Metallgesellschaft connection.

BMW was the weak link in the Dax, falling DM9.50 to DM726.50. News of growing Asian and Rover sales, and potential participation in the BT/Viag telecommunications partnership, were possibly discounted, said brokers, in the backwash following the Daimler downgrade by Merrill Lynch last Friday.

On the positive side, Siemens moved ahead DM9.60 to DM647.10, although an 8 per cent rise in first-quarter net was "not too convincing", said Mr Eckhard Frahm at Merck Finck in Düsseldorf, given the 20 per cent gain forecast for the whole of 1994/95.

However, the combination of doubled first-quarter net profits from Thyssen's trading and services unit, and the parent's joint move into German telephone services with BellSouth, the largest of the US regional telecommunications operators, left the shares DM5.30 better at DM290.30 as enthusiasm built ahead of next week's group figures.

PARIS marked the end of a painful January account, in which French equities lost 8.7 per cent, with the CAC 40 index up a token 7.33 to 1,780.17. Short-covering drove the market up at the end, but the individual share price list was only good in parts.

Turnover was FFr3.43bn. Financials continued to suffer from the recent succession of property losses, Suez dropping another FFr4.50 to FFr225.60; but Société Générale, the best quality stock in the sector according to Mr Michael Woodcock at Nikko Europe, moved forward FFr14 to FFr503 after it said that 1994 net profits would at least equal the FFr3.61bn of 1993.

On the upside, lower first-quarter losses left Euro Disney 45 centimes higher at FFr10.40; and, in pharmaceuticals, the Glaxo bid for Wellcome lifted Synthelabo, and the latter's parent, L'Oreal, in its wake, the shares rising FFr5 to FFr229.50 and FFr29 to FFr1,089 respectively.

ZURICH overcame weakness at midsession, when UBS bearers dipped below the SFr1,000 support level and took other financials down. The market closed firmer, although trading remained quiet as the SMI index finished 9.5 ahead at 2,534.8.

A SFr8 fall in UBS bearers to a day's low of SFr996 was attributed to rumours that Smith New Court in London had issued a sell recommendation on the stock. "Quite the reverse," said Mrs Suzy Neubert at Smith New Court. "We had been sellers since the first quarter of 1994, but have now upgraded the stock to a market outperformer. At its current levels it is looking attractive." The shares finished SFr3 higher at SFr1,007.

Baer Holding fell SFr40 to SFr1,210 after the bank reported lower than expected 1994 results.

A SFr40 advance to SFr6,310 in Roche certificates and Alusuisse's SFr7 gain to SFr678 were attributed to renewed foreign buying.

MILAN took the opportunity to consolidate after its recent rises as the market awaited a positive outcome from today's parliamentary confidence vote in the new government of Mr Lamberto Dini. The Comit index fell 5.82 to 673.46.

The banking sector continued to be enlivened by the battle for control of Credito Romagnolo. Credito Italiano picked up L8 to L2,045 on hopes of success with its revised bid, of L22,000 a share for 78 per cent of the stock.

Rolo lost another L785 to L16,543, still disappointed that the Consob bourse watchdog had blocked any improvement on Cariplo's bid of L21,500 a share for 70 per cent.

Industrials bore the brunt of the day's profit-taking. Olivetti lost L34 to L2,173, Montedison dipped L11 to L1,390 and Pirelli was L15 lower at L2,263.

AMSTERDAM featured a solid Fl 4.20 gain to FL 190.80 in Royal Dutch, trading in some 650m shares after the UK brokers, Hoare Govett and S.G. Warburg, reiterated buy recommendations for its sister company, Shell Transport and Trading.

The AEX index rose 2.47 to 407.52. Contrary to the general trend, HBG dropped Fl 4.50 to Fl 253.50. It said that a German government agency had demanded at least DM217m as advance compensation for flood damage to buildings on which the Dutch construction group worked last year.

MADRID staged a technical rebound as the general index improved 1.86 to 277.89, in turnover of Pta25.2bn which was boosted by several block trades. Electric utilities recovered, with Fecsa up Pta18 or 3 per cent at Pta514.

STOCKHOLM picked up 1.1 per cent, led higher by a strong performance among blue chips. The Affärsvärlden index rose 16.80 to 1,514.90.

Ericsson advanced SKr7.50 to SKr412.50, supported by the strong performance of its shares in New York, while Volvo was SKr2.50 higher at SKr141.

TEL AVIV dropped a further 1.9 per cent, the Mishtanim index falling 2.95 to a new 1995 low of 153.49. Following Monday's 1.5 per cent drop on news that the Bank of Israel would not lower interest rates in the coming month, yesterday's fall was attributed to news that two top fund managers had been arrested in connection with a stock manipulation scandal.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Jan 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1298.08	1298.75	1297.52	1295.48	1295.58	1297.60	1300.29	1299.33
FT-SE Eurotrack 200	1355.81	1355.50	1354.86	1352.75	1352.66	1354.80	1356.37	1355.17

	Jan 23	Jan 20	Jan 19	Jan 18	Jan 17
FT-SE Eurotrack 100	1291.92	1313.92	1323.84	1327.01	1329.66
FT-SE Eurotrack 200	1346.48	1388.18	1379.81	1384.66	1386.53

Base 1000 (26/10/90); High/day: 100 - 1300.66; 200 - 1357.21 Low/day: 100 - 1295.03 200 - 1351.39 † Partial

ASIA PACIFIC

Nikkei regains 18,000 as seven-day drop is reversed

Tokyo

Equities rallied moderately after a seven-day decline culminating in Monday's blood bath, *writes Robert Patton in Tokyo.*

The Nikkei 225 average recovered the 18,000 level breached in Monday's 1,055-point plunge, ending at 18,060.73, up 275.24 after a day of strong price fluctuations which swung the market from a low of 17,698.75 to a high of 18,138.77.

Winners outnumbered losers by 763 to 310, with 95 issues unchanged. Volume was estimated at 380m shares, down from Monday's 446.14m. The Topix index of all first-section stocks rose 19.62 to 1,410.30 and the capital-weighted Nikkei 300 by 3.77 to 258.57. In London the ISE/Nikkei 50 index was 1.10 firmer at 1,160.57.

Price volatility was the order of the day as market indices rose and fell, seemingly at the whim of index futures prices. In the end it was buying by institutions, individual investors and brokerage house dealers that overwhelmed foreign sellers and took the market higher.

The rally encouraged many analysts who felt that although further declines are possible, the worst was over. Individual investors appeared to be returning to the market, heartening analysts and brokers. Investor fears were eased somewhat by a morning announcement that the Ministry of International Trade and Industry (MITI) would release a report, expected to be positive, assessing the impact of the Kobe quake on the Japanese economy and industry.

Construction companies were once more the beneficiaries of renewed market strength. Individual investors bought medium-sized contractors such as the day's volume leader, Sumitomo Construction, which jumped Y99 to Y599 in turnover of 14.2m shares. The Osaka-based Daisue Construction advanced Y88 to Y594, while Fudo Construction climbed Y100 to Y832.

In spite of continued foreign selling of their shares, high technology companies rallied. NEC put on Y15 at Y970, Fujitsu Y15 at Y870, Matsushita Electric Industrial Y20 at Y1,420 and Mitsubishi Electric Y17 at Y625.

East Japan Railway continued to retreat, losing Y5,000 at Y461,000, but NTT recovered Y29,000 to Y795,000 and Japan Tobacco came off Monday's all-time low to end at Y900,000, up Y9,000.

Steel makers also gained. The industry's optimism was reflected by a statement released by Mr Hiroshi Saito, chairman of the Japan Iron and Steel Federation, that domestic steel producers can deliver an additional 2m to 3m tonnes of steel if needed. Nippon Steel ticked up Y1 to Y333 in the day's second highest volume of 6.6m shares. Kawasaki Steel gained Y8 at Y366.

In Osaka the OSE average retraced 283.72 points to close at 20,021.84.

Roundup

The region remained fragile after Monday's sharp losses. Worries about the outlook for US interest rates after the US Federal Reserve's policy making meeting on January 31, and the wind down to the long Lunar New Year holidays next week provided common themes.

TAIPEI fell 2 per cent as late selling focused on electronics and construction stocks. The weighted index shed 127.25 to 6,167.79 as turnover rose from T$47.2bn to T$53.3bn.

Selling was across the board, the construction sector losing 2.8 per cent. Chang Ku Building fell T$1.90 or 6.2 per cent to T$28.70 and Pacific Construction T$1.50 or 5.3 per cent to T$26.80. Electronics dropped on institutional selling. United Micro Electronics gave up T$5 or 4.7 per cent at T$101.

However, a few lower priced shares with strong fundamentals rose on bargain hunting. Lee Chang Yung Chemical surged by the daily 7 per cent limit to T$46.

SEOUL declined 2 per cent to a seven-month low as worries over a continuing liquidity squeeze sent the composite index down 18.55 to 916.83.

Brokers said the mood was extremely volatile and that the market was likely to drift in the absence of intervention by the government.

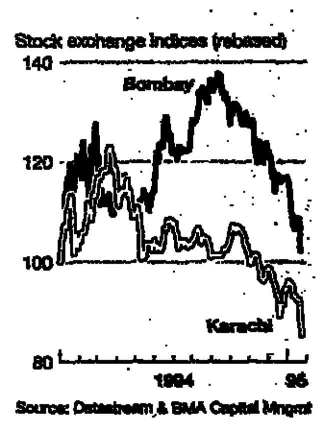
MANILA slipped 1.9 per cent as foreign institutional and local retail sellers dominated the market. The composite index fell 46.57 to 2,374.86, with the mining sector taking the brunt of the selling.

KUALA LUMPUR extended its losses on further foreign redemption and liquidation by retail investors; the composite index slid 9.23 to a 16-month low of 840.87.

Brokers said the improved conditions in Tokyo and Hong Kong helped to cushion the fall, but added that the market looked vulnerable to further drops in the current bearish climate.

KARACHI shed 4.2 per cent amid heavy selling by local and foreign investors in the shares of Pakistan Telecommunication Corporation, as the market's bear run was extended to a seventh consecutive session. The KSE 100-share index fell 80.13 to 1,851.53, with the failure of this year's cotton crop creating anxiety for the market. PTC Vouchers lost Rs2.60 at Rs34 and Pakistan State Oil Rs13 at Rs350.

Stock exchange indices (rebased)



Source: Datastream & BMA Capital Mngmt

BOMBAY saw a continuation of selling by funds, in a market bereft of buying interest in the wake of worries over defaults by brokers. The BSE 30-share index ended 72.89 or 2.1 per cent weaker at 3,411.04.

HONG KONG rebounded modestly, taking its lead from Tokyo trading, and the Hang Seng index picked up 54.94 to 7,022.90. Turnover was a light HK$2.8bn, after Monday's HK$3.2bn, as brokers reported some futures-related arbitrage selling, and bargain hunting to replenish portfolios by funds buying for the long term.

SINGAPORE recouped 2.2 per cent of Monday's 5.5 per cent fall as some bargain hunting emerged, although the overall mood remained cautious. The Straits Times Industrial index finished 2.18 ahead at 1,919.12.

BANGKOK edged higher after some late buying reversed a sharp fall during morning trade. The SET index gained 2.09 at 1,193.36 after dipping to 1,186.31.

A dealer said retail investors gained confidence after finance and securities firms eased margin requirements. The index had fallen sharply over recent days and margin investors were worried that they might be forced to liquidate holdings.

WELLINGTON was dragged down by falls in Fletcher and Carter, attributed to reports that rebuilding after the Kobe earthquake would not necessitate an increase in the importation of building materials. The NZSE-40 Capital index dipped 24.53 to 1,923.08, as Fletcher lost 10 cents at NZ$3.73 and Carter 8 cents at NZ$3.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JANUARY 23 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JANUARY 20 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	165.72	-1.1	154.08	104.47	130.08	143.61	-0.9	4.01	167.62	156.20	105.01	131.40	144.90	189.15	161.21	178.18
Austria (16)	174.34	-0.5	162.09	109.90	136.82	136.72	-0.8	1.19	175.19	163.35	109.82	137.41	137.77	198.89	167.46	188.98
Belgium (35)	169.03	-0.8	156.22	105.92	131.67	128.98	-0.8	4.28	169.37	157.92	106.17	132.85	129.98	177.04	161.53	162.89
Brazil (28)	142.01	-2.8	132.03	89.52	111.45	222.58	-2.5	1.01	146.09	136.21	91.58	114.59	228.17	-	-	-
Canada (103)	123.48	-0.8	114.80	77.84	96.90	127.01	-1.1	2.72	124.46	116.05	78.02	97.62	128.47	143.28	120.54	142.80
Denmark (33)	246.89	-2.3	229.54	155.63	193.75	199.97	-2.2	1.49	252.71	235.63	158.42	198.22	204.57	275.79	236.61	263.50
Finland (24)	186.92	-2.7	173.78	117.83	146.68	183.87	-2.3	0.75	192.15	179.16	120.45	150.71	188.18	201.41	133.88	145.31
France (102)	157.79	-2.2	146.71	99.47	123.83	129.37	-2.1	3.32	161.34	150.44	101.14	126.55	132.19	185.37	157.79	175.38
Germany (58)	141.01	-1.4	131.11	88.89	110.66	110.66	-1.4	1.88	143.02	133.35	89.65	112.18	112.18	150.40	128.37	129.00
Hong Kong (58)	277.40	-4.2	257.91	174.87	217.70	275.47	-4.2	4.53	289.58	270.02	181.54	227.15	287.51	493.01	277.40	470.21
Ireland (16)	204.97	-1.7	190.57	129.21	160.86	183.05	-1.8	3.48	208.45	194.36	130.67	163.50	186.42	216.60	177.56	207.53
Italy (59)	82.31	1.0	76.52	51.88	64.59	97.40	0.6	1.60	81.49	75.98	51.08	63.92	96.86	97.78	67.25	68.44
Japan (484)	139.45	-5.3	129.65	87.90	109.44	87.90	-4.8	0.86	147.32	137.36	92.35	115.56	92.35	170.10	134.89	141.80
Malaysia (97)	401.42	-5.3	373.22	253.05	315.03	395.24	-5.1	2.13	423.75	395.10	265.64	332.38	416.40	594.76	401.42	482.79
Mexico (18)	1098.32	0.4	1021.14	692.35	861.93	6862.85	0.8	1.49	1093.64	1019.70	685.56	857.80	6809.66	2647.08	1028.59	2447.13
Netherland (19)	217.69	-0.8	202.39	137.23	170.84	168.18	-0.8	3.43	219.50	204.66	137.60	172.17	169.50	223.30	191.28	203.37
New Zealand (14)	72.85	-0.3	67.73	45.92	57.17	60.13	-0.5	4.87	73.06	68.12	45.80	57.30	60.43	77.58	62.05	71.16
Norway (23)	208.99	-1.4	182.45	130.48	162.44	185.60	-1.3	1.86	209.84	195.66	131.54	164.59	188.06	214.65	177.53	194.99
Singapore (44)	314.61	-5.6	292.50	198.32	246.90	210.18	-5.3	2.04	333.19	310.67	208.87	261.34	221.95	401.38	294.66	336.81
South Africa (59)	295.62	-2.0	274.85	186.35	232.00	269.76	-1.1	2.47	301.75	281.35	189.16	236.68	272.72	342.00	205.56	252.94
Spain (36)	127.04	-2.1	118.11	80.08	99.69	126.61	-1.8	4.58	129.73	120.96	81.32	101.76	128.98	155.79	124.87	144.67
Sweden (48)	234.45	-1.8	217.97	147.79	183.99	258.09	-1.5	1.51	238.83	222.68	149.71	187.33	262.01	242.81	196.70	218.83
Switzerland (47)	163.79	-1.7	152.28	103.25	128.53	128.52	-1.9	1.90	166.82	155.35	104.45	130.69	131.03	176.56	149.91	167.40
Thailand (46)	133.83	-4.7	124.43	84.36	105.03	130.27	-4.7	3.04	140.45	130.96	88.05	110.17	136.70	-	-	-
United Kingdom (205)	191.53	-1.1	178.07	120.74	150.31	178.07	-1.4	4.33	193.60	180.51	121.36	151.86	180.51	214.96	181.11	213.29
USA (513)	190.58	0.2	177.18	120.14	149.56	190.58	0.2	2.92	190.22	177.36	119.24	149.20	190.22	198.04	178.95	192.88
Americas (962)	175.42	0.1	163.09	110.58	137.67	147.20	0.1	2.88	175.22	163.37	109.84	137.43	147.04	-	-	-
Europe (723)	167.28	-1.3	155.50	105.43	131.26	146.01	-1.4	3.19	169.43	157.97	106.21	132.89	148.08	178.58	160.59	172.60
Nordic (128)	225.32	-2.0	209.48	142.03	176.82	209.77	-1.8	1.41	229.98	214.43	144.16	180.38	213.51	233.91	197.70	210.17
Pacific Basin (809)	145.93	-5.1	135.66	91.99	114.53	95.85	-4.6	1.27	153.72	143.33	96.36	120.56	100.47	176.86	145.93	154.55
Euro-Pacific (1532)	154.73	-3.4	143.85	97.54	121.42	115.22	-3.2	2.14	160.17	149.34	100.41	125.63	119.00	176.14	154.73	161.91
North America (616)	186.42	0.1	173.32	117.52	146.30	186.25	0.1	2.92	186.14	173.56	116.69	146.00	185.89	192.73	175.67	189.76
Europe Ex. UK (518)	150.43	-1.4	139.86	94.83	118.05	128.80	-1.4	2.54	152.57	142.25	95.64	119.67	129.60	158.12	144.12	147.84
Pacific Ex. Japan (325)	211.19	-3.5	196.35	133.13	165.74	185.23	-3.4	3.61	218.78	203.99	137.15	171.60	191.64	291.75	211.19	275.63
World Ex. US (1740)	155.42	-3.3	144.50	97.97	121.97	118.54	-3.1	2.14	160.69	149.83	100.73	126.04	122.28	176.65	155.42	163.94
World Ex. UK (2048)	163.46	-2.1	151.97	103.04	128.28	136.29	-2.0	2.22	167.04	155.74	104.71	131.02	139.01	178.59	163.46	188.69
World Ex. Japan (1769)	181.60	-0.7	168.84	114.48	142.52	171.80	-0.7	3.04	182.86	170.51	114.64	143.44	173.03	195.20	176.34	180.42
The World Index (2253)	165.92	-2.0	154.26	104.59	130.21	140.06	-1.9	2.43	169.37	157.92	106.17	132.85	142.76	180.60	165.92	172.57

Latest prices were unavailable for this edition.